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INTRODUCTION

The *Compilation of World Motor Vehicle Import Requirements* is designed to provide motor vehicle exporters with market data and worldwide automotive import restrictions for the major automotive markets of the world.

The U.S. Department of Commerce (USDOC), Office of Automotive Affairs collects, compiles and disseminates the information available in this document. It should, however, be noted that the assistance of Commerce's country specialists (MAC) and overseas representatives (USFCS) played an important role in making this document possible.

This document is updated periodically and every attempt is made to ensure its accuracy. However, due to the numerous sources of information, and changes in countries import requirements, the Office of Automotive Affairs cannot guarantee the accuracy of all the material contained in this document.

New Motor Vehicle Sales Data are supplied courtesy of Auto Strategies International Inc. Phone: (216) 581-6323; Fax: (216) 581-8551; email: gene@autostrat.com.

This document is also available on the National Trade Data Bank (NTDB) and the Office of Automotive Affairs homepage: http://www.ita.doc.gov/auto.

III

COUNTRIES OF THE WORLD THAT DRIVE ON THE LEFT SIDE OF THE ROAD

Anguilla
Antigua
Australia
Bahamas
Bangladesh
Barbados
Bhutan
Botswana
British Virgin Islands
Brunei
Cayman Islands
Channel Islands
Christmas Island
Cooke Islands
Cocos Island
Cyprus
Dominica
Falkland Islands
Fiji
Granada
Guyana
Hong Kong
India
Indonesia
Ireland
Isle of Man
Jamaica
Japan
Kenya
Kiribati
Lesotho
Macao
Malawi
Malaysia
Malta
Mauritius
Montserrat
Mozambique
Namibia
Naunu
Nepal
New Zealand
Norfolk Islands
Pakistan
Papua New Guinea
Pitcairn Island
St. Helena
St. Kitts and Nevis
St. Lucia
St. Vincent
Seychelles
Singapore
Solomon Islands
Somalia
South Africa
Sri Lanka
Surinam
Swaziland
Tanzania
Thailand
Tonga
Trinidad and Tobago
Turks and Caicos Islands
Uganda
United Kingdom
Virgin Islands (U.S.)
Zambia
Zimbabwe

NORTH AMERICA

CANADA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	740,032	748,047	810,635
Commercial use Vehicles	683,636	739,688	734,118

Source: Auto Strategies International Inc.

<u>Canada</u>:

U.S. Canada Automotive Pact:
WTO legal action brought by the EU and Japan have forced Canada to end the auto pact.

Changes to the FTA:
The following changes are occurring, or have already occurred under the implementation of the FTA:

(1) bilateral tariffs will be phased out by 1998 on non-Auto Pact eligible motor vehicles and original equipment parts;
(2) bilateral tariffs on aftermarket auto parts were eliminated in 1993;
(3) Canada terminated its export-based duty-remission programs for exports to the U.S. on January 1, 1989 (the remainder of the program terminated on Jan. 1, 1998), and terminated its production-based duty-remission programs (duty reduction schemes based on the amount of Canadian value in automotive goods exported from or produced in Canada).

MEXICO- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	314,226	643,360	465,291
Commercial use Vehicles	168,506	198,058	223,549

Source: Auto Strategies International Inc.

<u>Mexico</u>:

On January 1, 1994, the North American Free Trade Agreement supplanted Mexico's Automotive Decrees on light and heavy vehicles. The NAFTA provides for the elimination of Mexican tariffs, local content requirements, trade balancing requirements, and market share restrictions generally within a ten-year period on vehicles from the U.S. and Canada which meet the NAFTA rule of origin.

Tariffs:

- Mexican tariffs on cars and light trucks originating in the U.S. or Canada which meet the NAFTA rule of origin were reduced from 20 to 10 percent on January 1, 1994.
- The passenger car tariff was subsequently reduced by 1.2 percent in 1995 and has been and will continue to be reduced by 1.1 percent each year until the tariff is reduced to zero on January 1, 2003.
- The Mexican tariff on light trucks was reduced by 2.5 percent per year beginning in 1995 until it was eliminated on January 1, 1998.
- Mexican tariffs on heavy trucks (all vehicles weighing over 8,864 kilograms), cab chassis, truck tractors, buses, and specialty vehicles were cut from 20 to 18 percent on January 1, 1994, and are being phased out in increments of 2 percent each year until they are eliminated on January 1, 2003.
- Mexico will maintain a 20 percent tariff on U.S. and Canadian vehicles not meeting the NAFTA rule of origin and on vehicles from all other countries.

Taxes :

- The Mexican VAT is 10 percent only for the Northern border region while the rest of the country is 15 percent.
- Imports bound for the interior of Mexico must pay 15 percent VAT.
- The customs service fee or DTA was eliminated under the NAFTA agreement as of June 30, 1999.

Other Measures:

Trade Balance Requirements and Quotas:

- The NAFTA reduces the value a vehicle assembler is required to export per value imported into Mexico. Effective January 1, 1994, the NAFTA reduced the amount of exports required for every $1.00 worth of cars and light trucks imported into Mexico by a vehicle assembler from $2.00 to $0.80. This requirement is reduced each year over a period of ten years (i.e. $0.772 in 1995, $0.661 in 1999, $0.550 in 2003) until it will be eliminated completely on January 1, 2004. Also eliminated on this date will be the requirement that only vehicle assemblers in Mexico may import vehicles.
- In addition, the NAFTA eliminated immediately Mexican market share restrictions. (In 1993, imports of finished cars and light trucks were limited to 20 percent of each producer's

sales in Mexico, up from 15 percent in 1992.) Nonetheless, Mexican trade balancing and local content provisions will continue to limit the number of potential vehicle imports during the transition period.

_ For heavy vehicles the NAFTA creates two transitional quotas. An assembler in Mexico may import, for each type of heavy vehicle it produces in Mexico, 50 percent of the number of such vehicles produced in Mexico. For example, if a manufacturer makes both trucks and buses, then it may import 50 percent of its production of each of these types of vehicles. In order to be eligible for this quota, an assembler must maintain 40 percent local content. Non-assemblers may import a total of no less than 15 percent of the total production of each type of vehicle in Mexico for 1994 and 1995; no less than 20 percent for 1996; and no less than 30 percent for 1997 and 1998. This quota will be allocated through a non-discriminatory auction. In 1999, the NAFTA removes all restrictions on new heavy vehicles that comply with all Mexican standards and regulations.

Local Content Requirements:

_ The NAFTA provides for the reduction and elimination on January 1, 2004, of Mexican local content requirements on light vehicles.

_ Assemblers in Mexico that meet or exceed the pre-NAFTA local content requirement of 36 percent receive an immediate reduction to 34 percent. The 34 percent level will remain until January 1, 1999, when it will be reduced one percentage point per year, ending at 29 percent in 2003 before its elimination.

_ An assembler that was below 36 percent prior to the NAFTA may maintain its 1992 percentage until it equals the reduction schedule. At that point it will be reduced according to the above schedule.

_ Existing vehicle assemblers must choose one of the two options described above at the beginning of the transition period and operate under that approach throughout the transition period; the percentage applicable to a new assembler will be the scheduled percentage at the point it begins operations.

Rule of Origin:

_ The NAFTA rule of origin is a regional content measurement which establishes the minimum criteria that products must meet in order to qualify for preferential tariff treatment between the U.S., Canada, and Mexico.

_ From 1994 to 1997, at least 50 percent of a light vehicle's net cost had to be of value originating in North America. For each manufacturer during its fiscal year beginning closest to January 1, 1998 this value increased to 56 percent, and in 2002 this value reaches 62.5 percent.

_ All other vehicles must meet 50 percent from 1994 through 1997, 55 percent from 1998 through 2001, and 60 percent thereafter.

_ There is an additional, special category for vehicle manufacturers setting up a new plant, or significantly retooling an existing plant, to produce a class or size of vehicle not previously produced at that plant. This provision allows for 50 percent regional content to meet rule of origin requirements, for a period of either two or five years (two years for production of a new type of vehicle at an existing plant, five years for a new type of vehicle in a new plant), beginning on the date the first prototype vehicle is produced in the (qualifying) plant.

Used Vehicles:

_ Mexico has maintained a ban on the importation of used vehicles except into certain border zones (northern border zones of Mexico, free zones of the state of Baja California, partial zones of Sonora and the state of Baja California del Sur, and the border city of Cananea in the state of Sonora).

_ Only used passenger vehicles from four to fifteen model years older than the current model year are permitted to be imported into these zones. (The Mexican automotive model year is legally defined as November 1 through October 31.)

_ Tariff reductions on used vehicles will match those in effect for new vehicles. In 2009, Mexico will begin a ten-year phase out of the embargo on used vehicles (light vehicles, buses, and heavy trucks) that meet the NAFTA rule of origin. The ban will be lifted completely in 2019.

Import Licenses:

_ In order to monitor NAFTA provisions, import licenses may be required until 1999 for heavy vehicles and until 2004 for light vehicles.

_ Import licenses may not be used to restrict imports of new vehicles or parts by companies that comply with all provisions of the NAFTA.

_ Import licenses will continue to be used to restrict entry of used vehicles until 2009. During the used vehicle restriction phase-out, licenses will be used to monitor the age of imported used vehicles but cannot be used to limit the number of vehicle imports in the allowed age category.

_ Import permits will be used to monitor and allow the entry of certain used vehicles which are being used to fulfill a business contract in Mexico.

_ Import licenses may be used to restrict entry of vehicles classified under HTS 8703.10.99 (other special vehicles) until 2004.

_ Import permits may be required for the following vehicles if they are used but may not be required if the vehicles are new: 8702.90.01 (trolley buses), 8705.10.01 (mobile cranes), 8705.20.99 (other mobile drilling derricks), 8705.90.01 (street sweepers), or 8705.90.99 (other special purpose motor vehicles not elsewhere classified).

_ Mexico also maintains a ban on the importation of much used equipment, including many special purpose motor vehicles such as concrete mixers. Access into Mexico of these vehicles for fulfillment of a contract will be restricted until 2004. In 2004, the ban on used equipment will be eliminated, and import permits will monitor the use of such equipment in Mexico to ensure the equipment is not being sold but rather is being used in fulfillment of a contract.

- Once the limitation on the importation and sale of used vehicles is eliminated, import permits covering usage of such vehicles will no longer be necessary.
- Exceptions to the used equipment ban include: 8705.20.01 (mobile drilling derricks), 8705.20.99 (other mobile drilling derricks), or 8705.90.01 (street sweepers).

SOUTH/CENTRAL AMERICA and CARIBBEAN

ARGENTINA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	330,601	321,962	327,001
Commercial use Vehicles	124,332	133,397	137,221

Source: Auto Strategies International Inc.

Argentina:

Tariffs:

- The tariff applied to vehicles is 20 percent.
- The tariff for parts is approximately 2 percent.
- As part of its Uruguay Round concessions, Argentina bound the tariff on many of its automotive products at 35 percent.
- Beginning on January 1, 2000, all MERCOSUR countries (Argentina, Brazil, Paraguay, and Uruguay) will adopt the same rules governing imports and will presumably adopt a common external tariff for automobiles and auto parts. The tariff rates are still being negotiated; they are expected to be between 14-18 percent for auto parts, 30 percent for trucks, and 35 percent for automobiles. In the interim, vehicles imported from other MERCOSUR countries, which do not meet the regional content requirement of 60 percent, are subject to a 10 percent duty.

Taxes:

- Value Added Tax (VAT) (18 percent)
- An additional "advanced" VAT of 6-8 percent (based on CIF value plus the duty and the import statistics fee of 10 percent)
- Various provincial sales taxes
- Duty Surcharge (0.5 percent)
- Statistical tax (3 percent)
- A 3 percent advanced profit tax, charged on the custom value of goods

Other Measures:

- Import Restrictions: Foreign vehicles which do not have a domestic equivalent are subject to import quotas. This quota system limits imports to a percentage of total domestic production (for example, in 1994 this quota was 10 percent). The rights of the quotas are auctioned off, and the bidder willing to pay the most amount above the average duty wins the quota.

However, dealers can bid on a portion of the quota allotment by offering to pay an additional import duty over the regular 20 percent. Individuals may also participate, along with dealers, in special periodic quota allotments, under the same bidding system. Both individuals and dealers are limited to two imported vehicles per year. Assemblers who also import vehicles are also committed to maintain a higher level of exports than imports.

- Import quotas and licensing are required for:
  - motor vehicles weighing less than 850kg, greater than 1,500kg and costing less than US$5,500 (HS 8702010101)
  - motor vehicles weighing between 850kg but less than 1,500kg with an ex-works price less than US$9,00 (HS 8702010120)
  - motor vehicles weighing more than 1,050kg with an ex-works price of less than US$16,000 (HS 8702010140)
  - motor vehicles weighing more than 1,050kg with an ex-works price of greater than US$16,000 (HS 8702010160)
  - chassis with gearbox in vertical position (HS 8702010161)
  - public transportation vehicles weighing less than 1,000kg and more than 1,000kg (HS 8702929001 and HS 8702929099, respectively)
  - Heavy goods vehicles weighing more than 1,000kg but less than 2,000kg and those weighing more than 2,000kg (HS 8702030104 and HS 8702030105, respectively)
- Bilateral Quota System: The Governments of Argentina and Brazil allow local automakers to import a certain number of cars and trucks from each other duty-free. This quota is adjusted each year by the respective Governments.
- Official distributors of foreign cars are limited to the importation of finished cars equal in value to the Argentine parts exported by the company.

Local Content/Regional Content Requirements:

- Local Content Requirements: The maximum allowable foreign content for vehicles of Categories A, B, and C are 24, 38 and 50 percent, respectively. Category A is defined as light-duty vehicles with a carrying capacity up to 1,500kg, derived from cars. Category B is light-duty trucks with a carrying capacity up to 1,500kg, not derived from cars. Category C is defined as the chassis and trays for heavy-duty trucks with carrying capacity greater that 1,500kg.
- Regional Content Requirements: For trade among the MERCOSUR countries (Brazil, Argentina, Uruguay and Paraguay) all products that have at least 60 percent regional content are traded duty free among these countries.
- The maximum percentage of imported components allowed for each model produced by terminal manufacturers is as follows (taken from Argentine Automotive Policy Decree 33/96): Category A: cars and pick-ups with load capacity lower than 1500kg: 1998--35 percent, 1999--32.5 percent; Category B: trucks and platforms with load capacity less than

1500kg: 1998--35 percent, 1999-- 32.5 percent. Calculation of the above maximum percentage of imported content is to be done as follows: sum of FOB value of imported components in vehicle divided by price of vehicles to dealers before taxes x 100.

BOLIVIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	1,642	1,247	773
Commercial use Vehicles	5,479	5,786	4,436

Source: Auto Strategies International Inc.

<u>Bolivia</u>:

There are no local content regulations or import restrictions. Both new and used vehicles may be imported. There is a flat import duty of 10 percent on all goods, except for capital goods, which are assessed a customs duty of 5 percent (heavy trucks greater than or equal to 6 tons are considered capital goods), a 14.92 percent effective VAT, and a special 10 percent consumption tax on car sales. In addition to the import duty, imported goods including motor vehicles are subject to customs warehouse fees of 1.9 percent of the FOB price and customs broker's fees of up to 2.0 percent of the CIF price. A motor vehicle is therefore subject to over 35 percent duties, taxes, and fees. Bolivia also requires preshipment valuation inspections.

BRAZIL- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	1,569,698	1,211,907	1,010,390
Commercial use Vehicles	303,971	253,797	190,631

Source: Auto Strategies International Inc.

<u>Brazil:</u>

Tariffs:

- Auto manufacturers with plants in Brazil that are under the Brazilian Automotive Program import at reduced tariff rates, 24.5 percent for passenger vehicles and 22.5 percent for commercial vehicles.
- In December 1999, Brazil ended the import quota system which allowed automobile manufacturers and some independent importers to import 50,000 automobiles per year at a reduced tariff (23% in 1999).

- Import Taxes for trading within the Mercosul region are not subject to import tariff.
- Automobile and part manufacturers established in Brazil that benefited from import tariff reductions granted by the automotive program that expired in 1999, continue to enjoy a 40% reduction on the import tariff rate on imports of automotive parts.
- Mercosul-made products enjoy exemption of import tariffs when, 60% of the product's sales value are generated in the Mercosul region. The new automobile plants are required to reach 40% Mercosul content in the first year of production, 50% in the second year and 60% after the third year.

Taxes:

Import taxes:

- Import taxes are charged on the CIF value of the good.

Vehicles:	35%
Automotive parts:	14%; 16% and 18% (levels to be reached by 2006).

The current import tariff on automobiles is 35%.
Import tariffs on auto parts range from 17% to 23%.

IPI:

- The IPI (Industrial Product Tax) is a federal tax applicable to imported and locally manufactured products and varies according to the product. The IPI for auto parts ranges from 4 to 16 percent and for automobiles is as follows:

Vehicle category/ engine displacement	Current Tax rate
Automobiles up to 1000 cc	10
Automobiles up to 100 HP	25
Automobiles of up 127 HP	25
Automobiles of over 127 HP	25
Light commercials 4X4 (pick ups)	10
Diesel light commercials 4X2	10

Source: ANFAVEA (National Association of Automobile Manufacturers)

- The IPI is charged on the CIF price plus the import duty. It is not a cost item *per se*, because the paid value represents a credit to the importer. When the product is sold to the end-user, the importer debits the IPI, which is included in the final price of the product and is paid for by the end-user.

ICMS:

_ The ICMS (Merchandise Circulation Tax) is a state tax, which varies according to the state. The most common ICMS in the state of Sao Paulo is 18 percent and is charged on the CIF price plus the IPI. The ICMS is also assessed on locally-made goods.

_ Although importers must pay the ICMS to clear customs, it is not an actual cost item *per se*, because -- similar to the IPI tax -- the paid value represents a credit to the importer. When the merchandise is sold to the end-user, the importer debits the ICMS, which is included in the final prices and is paid by the end-user.

Port Taxes and Costs:

Compulsory Contribution to Custom Broker's Union	2% of CIF, or minimum of US$140, maximum of US$280
Customs Broker	Average US$700
Terminal Handling Charges	Up to US$400 per container
Merchant Marine Tax	25% of ocean freight
Warehousing and Foremanship	0.65% of CIF

-. Port and warehousing fees: vary according to the port or airport and on the period of time required to release imports from customs. These fees usually add up to 2 to 4% of the CIF price. Smaller ports outside Sao Paulo and Rio de Janeiro are usually less expensive than the ones in those states.

Other Measures:

Local/Regional Content Requirements:

_ Currently, the Brazilian Automotive Program requires established automobile manufacturers to source 60 percent of all auto parts locally, whereas "newly-established" manufacturers are required to source 50 percent locally during the first three years of production and 60 percent thereafter.

_ In the first half of 2000, Brazil and Argentina established the basis of a *new Automotive Program* that includes automobiles, chassis with engines, automobile bodies and automotive parts (parts, assemblies and sub-assemblies). The program, yet to be presented to the other Mercosul partners (Uruguay and Paraguay), should be in place from July 2000 until 2005. It features a monitored automotive trade balance among Brazil and Argentina, in which the surplus with its Mercosul partner may not surpass the following percentages:

3% in 2000;
5% in 2001;
7.5% in 2002; and,
10% in 2003

Licensing:

_ An import license is required for imports of most vehicles and some auto parts. Import licenses are issued by the Brazilian Foreign Trade Secretariat (SECEX) and take approximately two weeks to obtain. They are valid for 60 days.

Import Restrictions:

_ Imports of used automobiles into Brazil are not allowed under any circumstances, and special authorization is required for the import of used parts.

_ Brazil also has a ban on diesel passenger car imports, but still exports diesel cars to Argentina. Argentina is also currently considering a similar ban on imports and production of diesel passenger cars. There is a possibility this ban will be extended to the entire MERCOSUR region; however, this has yet to be determined under the CAP negotiations.

CARICOM

Caribbean Community and Common Market (CARICOM): Member states: Antigua & Barbuda, The Bahamas (member of the Community, not the Common Market), Barbados, Belize, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, St. Kitts-Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad & Tobago; associate members: B.V.I. and the Turks and Caicos; observers: Anguilla, Dominican Republic, Netherlands Antilles, Puerto Rico, Suriname, and Venezuela. On June 30, 1993, most member states reduced the automobile tariff from 45 percent to 35 percent. The Bahamas, Montserrat, St Kitts-Nevis and Antigua and Barbuda did not adopt the tariff reduction. The Community had planed to reduce this rate to 20 percent by 1998, with truck tariffs remaining at 10 percent. It is unclear which members actually adopted this change. Belize will implement all tariff reductions two years behind other members, and the Bahamas will continue to maintain its own tariff schedule of 50 percent for automobiles. Customs surcharges, stamp taxes, and consumption taxes vary between countries, but most fall within the 40 to 100 percent range. For the most up to date information please contact the customs office of each individual country.

CHILE

New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	107,593	82,996	59,200
Commercial use Vehicles	86,517	53,035	48,315

Source: Auto Strategies International Inc.

Tariffs:

- All new imported motor vehicles and automotive parts are assessed Chile's uniform tariff rate of 8 percent, based on the CIF value, with the exception of vehicles coming from Canada and Mexico, and auto parts coming from Colombia and Venezuela due to bilateral agreements (see Various Trade Arrangements). Chile's 8 percent tariff is scheduled to fall to 7 percent on 1/1/02 and to 6 percent on 1/1/03.

Taxes:

- Value Added Tax (VAT) of 18 percent, charged on the sum of the CIF value and the amount of the duty. This tax is chargeable to the importer, not the foreign supplier. (Imports by Chilean Government offices and Armed forces are not subject to import duties or taxes.)
- Luxury tax: based on CIF value and included in the calculation of VAT, the luxury tax is charged on 85 percent of the car's value in excess of an amount which is adjusted annually according to U.S. wholesale price index. (The dollar amount as of January 2001 was $16,362.) This tax is assessed on all items in excess of this annually-determined value. This tax is applied using the following formula:
(CIF- 16,362) x 0.85.
- The luxury tax does not apply to buses, trucks, ambulances, off road vehicles, motor homes, or other special vehicles. The luxury Tax is applied to those finished and semi-finished vehicles with a useful weight of under 2,000 Kg.

Other Measures:
Import Restrictions:

- In Chile the importation of used vehicles is prohibited. Chile does allow imports of used ambulances, funeral hearse cars, fire-fighting vehicles, street cleaning vehicles, irrigation vehicles, towing vehicles, television projection equipment vehicles, armored commercial vehicles, workshop vehicles, cement making trucks, prison vans, radiological equipment vehicles, motor homes, off-road transportation vehicles, and other similar vehicles for special purposes, different from common transportation vehicles. These used vehicles pay an 8 percent import duty plus VAT. Fire-fighting vehicles are not subject to import duties, and pay the VAT on the CIF value only. A vehicle is considered new if : 1) It is of the current year; or 2) The model is of the last year but the importation occurred before April 30th and the vehicle has no more mileage than that required to transport the vehicle from the factory to the point of sale and according to customs it corresponds to a first transaction vehicle (i.e., the invoice is from the distributor or the factory). Special laws allow tax-exempt new/used car imports by persons returning from exile or returning after living abroad (for one complete year or more) for studies or work after a determined number of years. Used cars may also be imported by people domiciled in two domestic free trade zones, Iquique in the north and Punta Arenas in the south. Imports in these areas are exempt from customs duties and VAT. (See Various Trade Arrangements).

_ Automotive investment in Chile is governed by the "Automotive Statute", which allows any car assembly company to operate in Chile. The Statute establishes a 13 percent minimum of local content in vehicles assembled from completely knocked-down (CKD) kits and 3 percent for vehicles assembled from semi-knocked down (SKD) kits. Local vehicle assemblers and part manufacturers benefit from Article 3 of Law 18,483, which exempts imported auto parts and components from customs duties if the importer exports parts and components of specific, certified quality worth the same amount ex-factory. If exported alone, the parts must include in-country value-added of at least 50 percent. If they are built into vehicles that are assembled in Chile and then exported, then the value-added component must be at least 70 percent. (This law is being replaced by a new law called the Arica Law which gives incentives to establish in the Arica industrial free trade zone for any manufacturing plant)

_ An import report to the Central Bank is required, free of cost, for shipments above US$3,000 CIF for statistical record keeping purposes.

_ Since September 1994, Chilean law requires that all vehicles meet EPA standards of 1987. (Light vehicles must comply with EPA 1991 standards, and soon TIER 1 or Euro 3 will apply to those vehicles used within the Santiago Metropolitan Area.)

_ Catalytic converters are required on all new cars

Various Trade Arrangements:

_ Chile has bilateral trade agreements with Colombia and Venezuela which give auto parts zero tariff status.

_ Vehicles imported from Canada and Mexico fall under bilateral agreements and are not subject to import duties if they meet certain content requirements. Chile's trade agreement with Mexico covers fully assembled vehicles (of at least 32 percent Mexican origin including parts and labor). In the case of Canada, vehicles must have at least 20 percent Canadian parts content.

_ Chile is involved in trade relationships with several multinational groups. Chile's membership in APEC may develop into very favorable trade terms. Chile has non-member associate status with MERCOSUR (made up of Brazil, Argentina, Uruguay and Paraguay) which will allow it market access with preferential tariffs. Chile is also involved in free trade negotiations with Korea and the European Union.

_ Two domestic free trade zones exist: Iquique in the north and Punta Arenas (Regions I and XI) in the south. Imports in these two areas are exempt from customs duties and VAT. The regions immediately surrounding Iquique and Punta Arenas are considered "extended" duty-free zones, which means that if goods are shipped outside the primary free zone but inside the extended area, they only pay 5.68 percent tariff. Vehicles shipped beyond these zones are responsible for full tariffs and taxes.

COLOMBIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	141,268	74,700	44,800
Commercial use Vehicles	81,822	46,141	43,096

Source: Auto Strategies International Inc.

Colombia:

Tariffs:

_ In September 1993, Colombia, Venezuela, and Ecuador agreed to adopt a common automotive policy, which became effective on January 1, 1994 (also known as the Complementary Convention in the Automotive Sector and/or Andean Automotive Policy). This policy established common external automotive tariffs of 35 percent for automobiles and CKD kits, 15 percent for trucks and buses (10 percent for Ecuador), and a concessional rate of 3 percent for CKD kits available to assemblers participating in the regional/local content scheme (see below).

Taxes:

VAT is assessed on the C.I.F. value plus applicable duties

-- Four-wheel-drive vehicles (20 percent)

-- All other cars (35 percent); unless the C.I.F. value plus tariff is greater than or

equal to US $35,000, in which case the VAT is 45 percent.
-- Ambulances and hearses (14 percent)

Other Measures:

_ There are no limitations on the types of models imported, and no special import permits are required. However, imported vehicles must be registered with the Colombian government prior to shipment. Local assemblers are free to assemble vehicles of any model and are also allowed to import vehicles.

_ Since January 1, 1994, Colombia has required gas emission/evaporation control systems (to reduce gasoline tank and carburetor emissions) and a gas emission control system or positive ventilation valve (to control crankcase gas emissions) on all gasoline engine motor vehicles imported into or assembled in Colombia.

_ Since January 1, 1995, Colombia has required catalytic converters to be installed on imported and locally produced vehicles.

Regional/Local Content:

_ Under the 1994 agreement, a regional/local content scheme was established for a five-year period so that vehicles and parts could be traded amongst all three countries duty-free. For example, the 1995-96 minimum requirement was set at 30 percent for automotive parts and passenger vehicles with a capacity of up to 16 persons and merchandise transport vehicles of a total weight of 4.5 tons (Category 1), and at 15 percent for other types of vehicles (Category 2). To enjoy the privilege of importing CKD material with a 3 percent import duty, assemblers must incorporate local content as follows: Category 1: 30 percent in 1995, 31 percent in 1996, and 32 percent in 1997. Category 2: 15 percent in 1995, 16 percent in 1996, and 17 percent in 1997. By January 1998, these rates rose to 33 and 18 percent, respectively. This Andean Automotive Program is currently under review by the concerned Governments for the next 5-year period (1999-2004), and, despite World Trade Organization (WTO) implications, there is a possibility that the regional content rules will gradually be adjusted upwards. For example, in the case of Category 1 vehicles, the percentage would increase 1.6 points each year until 2004, when it would reach 41 percent.

Import Restrictions:

_ The 1994 common policy prohibits imports from other countries of used cars, trucks, and buses, as well as new vehicles from previous years. It also bans trade in these vehicles among the member nations.

COSTA RICA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	2,602	3,944	4,583
Commercial use Vehicles	4,374	7,041	7,017

Source: Auto Strategies International Inc.

<u>Costa Rica</u>:

Tariffs:

_ The tariff rate for most vehicles is 20 percent, based on the C.I.F. value.
_ Buses that carry between 26 and 44 people and their chassis, trucks with a gross vehicle weight of 4000 kg or over, ambulances, hearses, and other special purpose vehicles pay a 20 percent tariff.
_ Trucks with a gross vehicle weight of under 4000 kg and truck chassis with engines in this size category pay a 20 percent duty.
_ Buses which carry 45 or more passengers and their chassis both pay a 5 percent duty.
_ Passenger motor vehicles and passenger vehicle chassis with engines also are subject to a consumption tax of 47 percent, based on the sum of the C.I.F. value plus the tariff.
_ All imports also pay a Customs surcharge of one percent based on the C.I.F. value.
_ Costa Rica has a ten percent sales tax based on the sum of the C.I.F. value, tariff, consumption tax, and Customs surcharge. Thus, the tariff and taxes owed on an imported passenger car total 95.14 percent.
_ In addition to the tariff, buses that carry between 26 and 44 people and their chassis, trucks with a gross vehicle weight of 4000 kg or over, ambulances, hearses, and other special purpose vehicles pay a Customs and sales taxes, but no consumption tax.
_ Trucks with a gross vehicle weight of under 4000 kg and truck chassis with engines in this size category pay a 15 percent consumption tax, and the other two taxes.
_ Buses which carry 45 or more passengers and their chassis both pay a 5 percent duty and the Customs and sales taxes, but no consumption tax.

Other Measures:

_ Costa Rica does not require import licenses.
_ Currently, Costa Rica does not grant motor vehicle imports from any country preferential treatment. However, beginning on January 1, 2000, motor vehicle imports from Mexico will enter Costa Rica duty free as stipulated in the Mexico-Costa Rica free trade agreement.

Used Vehicles:

_ To calculate tariffs and taxes on used vehicles, Costa Rica uses values reported by the U.S. N.A.D.A. Official Used Car Guide.
_ Costa Rica grants a discount on the sum of the tariff and consumption tax owed according to the following scale:
  - vehicles one year older than the current model year receive a 20 percent discount;
  - two years old, 30 percent,
  - three years old, 40 percent;
  - four years old, 50 percent;
  - five years old or older, 70 percent.
_ Thus, for a used car two years older than the current model year, Costa Rica will 1) determine its value from the U.S. N.A.D.A.; 2) sum the 20 percent tariff and 47 percent consumption tax; 3) deduct 30 percent from this sum; 4) add this amount to the determined price of the vehicle; and 5) add the Customs surcharge and 10 percent VAT.
_ Additionally, Costa Rica liberalized access to foreign currency in February 1992, so that importers are no longer required to pre-register import transactions with the Costa Rican Central Bank nor make previous deposits of currency.

DOMINICAN REPUBLIC- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	4,613	7,381	19,111
Commercial use Vehicles	8,290	14,189	28,062

Source: Auto Strategies International Inc.

Dominican Republic:

Tariffs:

_ The Dominican Republic assesses all imported new and used passenger vehicles (except pick-up trucks) with a flat tariff of 30 percent.
_ Pick-up trucks and other trucks with cargo capacity of five tons or less, buses, bus chassis, and passenger vehicle chassis with engines are assessed the 30 percent tariff but are not subject to the Selective Consumption Tax (ISC).

_ Trucks with cargo capacity of over five tons and their chassis, truck tractors, ambulances, hearses, prison vans, fire-fighting vehicles, and concrete mixers have a ten percent duty and are not subject to the ISC.
_ All other special purpose vehicles have a 15 percent tariff and pay no ISC.

Taxes:
The Dominican Republic assesses all imported new and used passenger vehicles (except pick-up trucks) with a variable ISC, and an eight percent sales tax. The tariff amount is not included in the calculation of the ISC; however, the sales tax is assessed on the sum of the vehicle's value plus the tariff plus the ISC. The DR modified the ISC by Presidential Decree #66-94 on March 25, 1994; it is now based on value rather than engine size. The table below explains the rates:

Dominican Republic ISC Tax Table

Price U.S. $	Basic-R.D. $	(%)*	Marginal Excess (%)
0 - 7,000	0	0	0
7,001 - 10,000	0	0	15
10,001 - 14,000	5,625	(4)	30
14,001 - 20,000	20,625	(12)	45
20,001 - 26,000	54,375	(21)	60
26,001 - 32,000	99,375	(30)	80
32,001 and above	---	(45)	---

*The percentages in parentheses indicate what the basic tax rate is for vehicles priced at the beginning of each range (using an exchange rate of 12.8 RD$/US$). The second percentage applies to the excess over the beginning value of the range. As an example, a car priced at US $12,000 would be subject to the basic amount of RD $5,625 or US $439, plus the marginal amount of US $600 (30 percent of US $2,000, the excess over US $10,000) = a total ISC of US $1,039.

In addition, the new decree changes the method for determining the ISC. DR Customs officials had been using price lists provided by the manufacturer to assess the ISC; however, this system created certain valuation problems. The new system uses published official list prices for automobiles, instead of price lists supplied by the manufacturer, to determine the value upon which the ISC is based. The DR does not require import licenses and does not grant motor vehicle imports from any country preferential treatment.

The new decree also modified the system for calculating duties and import taxes for used automobiles. Previously, used cars were assessed duties and taxes based on new car values. The new decree depreciates that value base for each model year of a car's age up to seven years according to the following scale: vehicles one year older than the current model year, 5 percent depreciation; two years older, 10 percent depreciation; three years older, 15 percent depreciation; four years older, 20 percent depreciation; five years older, 30 percent depreciation; six years older, 40 percent depreciation; seven years older or more, 50 percent depreciation. Thus, for a used car two years older than the current model year, the DR will deduct 10 percent from that model's new car price and use the resulting value as the base from which to calculate the tariff and ISC.

ECUADOR- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	26,203	11,901	8,900
Commercial use Vehicles	36,140	17,102	16,367

Source: Auto Strategies International Inc.

Ecuador:

Tariffs:

- In September 1993, Colombia, Venezuela, and Ecuador agreed to adopt a common automotive policy which became effective on January 1, 1994 (also known as the Complementary Convention in the Automotive Sector and/or Andean Automotive Policy). This policy established common external automotive tariffs of 35 percent for automobiles and CKD kits, 15 percent for trucks and buses (10 percent for Ecuador), and a concessional rate of 3 percent for CKD kits available to assemblers participating in the regional/local content scheme (see below).
- Automotive parts are subject to customs duties which range from 2 to 20 percent.

Taxes:

- VAT (10 percent for vehicles and automotive parts)
- Special tax (2 percent)
- Custom's fee (1 percent)

Non-Tariff Measures:
Regional/Local Content:
Under the 1994 agreement, a regional/local content scheme was established for a five-year period so that vehicles and parts could be traded amongst all three countries duty-free. For example, the 1995-96 minimum requirement was set at 30 percent for automotive parts and passenger vehicles with a capacity of up to 16 persons and merchandise transport vehicles of a total weight of 4.5 tons (Category 1), and at 15 percent for other types of vehicles (Category 2). To enjoy the privilege of importing CKD material with a 3 percent import duty, assemblers must incorporate local content as follows: Category 1: 30 percent in 1995, 31 percent in 1996, and 32 percent in 1997. Category 2: 15 percent in 1995, 16 percent in 1996, and 17 percent in 1997. By January 1998, these rates rose to 33 and 18 percent, respectively. This Andean Automotive Program is currently under review by the concerned Governments for the next 5-year period (1999-2004), and, despite WTO implications, there is a possibility that the regional content rules will gradually be adjusted upwards. For example, in the case of Category 1 vehicles, the percentage would increase 1.6 points each year until 2004, when it would reach 41 percent.

Import Restrictions:
- The 1994 common policy prohibits imports from other countries of used cars, trucks, and buses, as well as new vehicles from previous years. It also bans trade in these vehicles among the member nations.
- Import of CKD's is subject to a quota assignment by the National Automotive Commission and regulated by the automotive development law. Importation is limited to those brands having a distributor and/or an authorized concessionary in the country to guarantee an adequate supply of spare parts.

Other Measures:
- Importers require an import license, which is issued by the central bank for six months.
- There are no regulations concerning engine emissions, safety, or noise.
- Local assemblers are free to assemble vehicles of any model and are also allowed to import vehicles.
- There are no requirements for standards for parts imports, or requirements for labeling of products. The chaotic customs systems, creates disincentives to import goods through formal channels, and incentives for contraband. Many auto parts, for example, enter disguised as other goods which carry lower (or zero) customs duties.

EL SALVADOR- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	3,303	12,600	2,875
Commercial use Vehicles	4,862	4,488	5,544

Source: Auto Strategies International Inc.

El Salvador:

El Salvador has no restrictions on the importation of new or used motor vehicles. The current Transit Law (enacted 1995), will require, when fully enforced the use of catalytic converters. This enforcement, however, will be possible only after the creation of facilities nation wide to install converters and measure gas emissions.

The tariff on all four-wheel-drive vehicles is 25 percent. The tariff on all other passenger vehicles varies by engine displacement:

- engines up to 1300 cc's = 20 percent duty
- from 1301 up to 2000 cc's = 25 percent
- over 2000 cc's = 30 percent

Buses, trucks, ambulances, hearses, and all other special purpose vehicles are assessed from 1 to 5 percent tariff, except for golf carts and snowmobiles which are assessed 30 percent. All sales are subject to a Value Added Tax (VAT) of 13 percent. El Salvador does not require import licenses and does not grant motor vehicle imports from any country preferential treatment.

GUATEMALA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	5,871	10,240	5,330
Commercial use Vehicles	6,973	7,225	6,285

Source: Auto Strategies International Inc.

Guatemala:

Guatemala has no restrictions on the importation of new or used motor vehicles. Tariffs are 20 percent on new passenger cars and 15 percent on four-wheel-drive vehicles and other light trucks, except for pick-up trucks, which have a tariff of 10 percent. Heavy trucks and buses have a 5 percent duty, chassis with engines have a 10 percent duty, and all special purpose vehicles pay a 20 percent tariff. All sales are subject to a seven percent VAT. Guatemala does not grant motor vehicle imports from any country preferential treatment. Guatemala requires legalization of commercial invoices and bills of lading before products may enter the country. The legalization process requires exporters to provide the Guatemalan embassy or consulate with each invoice and bill of lading prior to shipment. The embassy or consulate stamps the documents and returns them to the exporter who must present the stamped documents to Guatemalan Customs upon entry of the merchandise.

HONDURAS- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	1,071	1,806	976
Commercial use Vehicles	5,982	9,714	5,625

Source: Auto Strategies International Inc.

Honduras:

There is neither local production nor assembly of automobiles or trucks in Honduras. Licenses are not required to import a vehicle and there are no quotas. Duties on passenger vehicles are 30 to 40 percent depending on the engine size with vehicles having engines larger than 2000 cc's being charged the higher rate. Other commercial vehicles are assessed a 10 percent duty. Duties on automotive parts and accessories range between 10 and 20 percent of the C.I.F. price. In addition, there are taxes on all imported goods, including an 8 percent VAT and a 15 percent surcharge on the duty. Foreign exchange availability is limited.

JAMAICA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	2,649	2,649	2,369
Commercial use Vehicles	2,324	2,221	1,882

Source: Auto Strategies International Inc.

Jamaica:

Effective February 1, 1993, Jamaica sharply reduced duty rates on most imported vehicles. Duties currently range from 87.5 percent for cars with engines under 1,000 cc, to 260 percent for cars with engines over three liters and costing in excess of USD 15,000 F.O.B. The 260 percent duty will remain in effect for luxury cars, but will range from 50-100 percent for cars under three liters.

NICARAGUA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	1,650	6,900	3,221
Commercial use Vehicles	3,050	3,444	6,033

Source: Auto Strategies International Inc.

Nicaragua:

There are no local content regulations or import restrictions. The tariff imposed on buses is 22 percent. Buses are exempt from the Nicaraguan Selective Consumption Taxes (SCT). Taxes on cars vary by value. All purpose vehicles (Rusticos) carry a 20 percent tariff, and a 10 percent SCT. All other cars up to $27,301 must pay a 30 percent SCT, and the tariffs range from 20 percent up to 100 percent based on value. Cars with a value greater than US$ 27,301 must pay a 100 percent tariff and a 100 percent SCT. Cargo trucks are divided into two categories for taxation purposes. Trucks with a carrying capacity of up to 2 tons of cargo must pay a 15 percent tariff, and a 10 percent SCT. Trucks with a carrying capacity over 2 tons pay only 1 percent tariff and a 5 percent SCT. All cars and trucks must pay the standard 15 percent value added sales tax (VAT) and the 3 percent stamp tax.

PANAMA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	19,055	16,200	14,683
Commercial use Vehicles	9,795	10,716	12,850

Source: Auto Strategies International Inc.

Panama:

Tariffs:

- Panama assesses passenger car duties based on the vehicle's value.
  - USD 0 - 5,000 is assessed a 15 percent tariff.
  - USD 5,001-12,000 is assessed a flat rate of USD 750 plus 27 percent of the amount greater than USD 5,000.
  - USD 12,001-20,000 pays a flat amount of USD 2,640 plus 40 percent of the excess over USD 12,000.
  - Over USD 20,000 is assessed a flat rate of USD 5,840 plus 50 percent of the value over USD 20,000.
- Pick-up trucks, all other trucks for the transport of merchandise, buses, and chassis with engines pay a flat tariff of 10 percent.
- Four-wheel-drive vehicles pay a flat 15 percent tariff on the first USD 12,000 of value; the amount above USD 12,000 is assessed a flat tariff of USD 1,800 plus 30 percent of the amount over USD 12,000.
- Ambulances, hearses, prison vans, and all other special purpose vehicles pay a flat 27.5 percent duty.
- Decree 56, issued by Panama's Cabinet Council, allows partial duty exemptions of automobiles, buses, and repair parts for taxi and bus operators. Taxi operators ("selectivos") are exempt from 95 percent of duties on new cars valued at USD 7,000 or less and 75 percent on used cars under five years old. They are allowed to import up to 12 new tires at 95 percent off of regular import duties. Bus operators can import up to 18 tires. Bus operators ("collectives") receive import exemptions ranging from 80 percent on six- to ten-year-old buses to 95 percent on new buses.
- Parts such as air brakes, diesel motors, differentials, and transmissions receive import exemptions of 95 percent, but are subject to quantity limitations. All vehicles can be sold tax-free after five years.
- Panama assesses a Value Added Tax of 5 percent.

_ Panama assesses a Customs Administration fee of $70 for shipments over $2,000 in value.

Other Measures:

_ Panama requires legalization of documents for products shipped by surface transportation. See the Guatemala section for an explanation of this procedure.

PARAGUAY- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	7,349	8,188	6,184
Commercial use Vehicles	8,689	7,520	5,071

Source: Auto Strategies International Inc.

Paraguay:

Tariffs currently range from 12.5 to 22.5 percent depending on engine displacement. Although Argentina and Brazil will adopt a common external tariff of 35 percent, Paraguay and Uruguay will adopt a common external tariff of up to 22.5 percent by the year 2005. In the interim, vehicles imported from other Mercosur countries, which do not meet the regional content requirement of 60 percent, are subject to the external tariff by displacement. For trade among the MERCOSUR countries, all products that have at least 60 percent regional content are traded among these countries with a 0 percent import tax, although trade is not free. Only Paraguay allows imports of MERCOSUR made vehicles with O percent import tariff without restriction

A transfer tax is applicable on all auto sales, and a separate registration fee is also charged in addition to any applicable municipal vehicle tax.

PERU- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	31,269	24,103	11,400
Commercial use Vehicles	11,655	11,655	10,495

Source: Auto Strategies International Inc.

Peru:

There are no prohibitions on the importation of new motor vehicles, however there are some restrictions on used vehicles based on age. The import tariff on new and used motor vehicles is 12 percent. In addition there is an 18 percent Value Added Tax (VAT). Imported new vehicles with 24 seats or less are subject to a Selective Consumption Tax (SCT) of 20 percent based on the sum of the C.I.F. value and the tariff amount. Imported used vehicles with 24 seats or less are subject to an SCT of 45 percent. Imported vehicles with 25 or more seats, whether new or used, are not subject to any SCT. Automotive parts are not subject to the consumption tax. Peru also requires pre-shipment valuation inspections.

Peru does not allow the entry of used personal use vehicles that are more than 5 years old and does not allow the entry of used commercial vehicles that are more than 8 years old. New or used vehicles with right-hand steering gear entering through the southern ports of Ilo and Matarani, which are reconditioned locally are exempt from the SCT. Reconditioning refers to converting the steering gear to the left side.

PUERTO RICO- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	76,659	77,856	70,634
Commercial use Vehicles	40,769	49,051	57,328

Source: Auto Strategies International Inc.

Puerto Rico:

There are no local content regulations or import restrictions. Puerto Rico has a tax based on the suggested retail price of motor vehicles. Cars valued under $5,770 will pay $750; Cars valued over $5,769 up to $10,000 will pay $750 plus 13 percent of excess over $5,769; Cars valued over $10,000 up to $20,000 must pay $1,300 plus 25 percent of excess over $10,000; Cars valued over $20,000 up to $42,000 must pay $3,800 plus 40 percent of excess over $20,000; Cars valued over $42,000 must pay 30 percent of the taxable price. Multi-Purpose Vehicles (MPV) valued below 20,001 must pay 13 percent of the taxable price, while MPV's valued over 20,001 must pay 20 percent of the taxable price.

URUGUAY- New Motor Vehicle Sales (in units)

	1997	1998	1999

Personal use Vehicles	23,153	25,969	23,900
Commercial use Vehicles	14,210	18,200	14,214

Source: Auto Strategies International Inc.

Uruguay:

Completely-built-up (CBU) vehicles are currently subject to a 23 percent tariff while completely-knocked-down (CKD) vehicle kits are subject to a 2 percent tariff. Agricultural tractors are subject to a 4 percent tariff. Beginning on January 1, 2000 all Mercosur countries (Argentina, Brazil, Paraguay, and Uruguay), will adopt the same rules in dealing with imports and will presumably adopt a common external import tariff of approximately 16 percent for auto parts, 35 percent for CBUs, 21 percent of CKDs and 17 percent for tractors. In the interim, vehicles imported from other Mercosur countries, which do not meet the regional content requirement of 60 percent, are subject to a 10 percent duty. For trade among the Mercosur countries all products that have at least 60 percent regional content are traded among these countries without any import tariff.

VENEZUELA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	130,119	103,596	101,292
Commercial use Vehicles	81,876	40,925	114,872

Source: Auto Strategies International Inc.

Venezuela:

Tariffs:

_ In September 1993, Colombia, Venezuela, and Ecuador agreed to adopt a common automotive policy which became effective on January 1, 1994 (also known as the Complementary Convention in the Automotive Sector and/or Andean Automotive Policy. This policy established common external automotive tariffs of 35 percent for automobiles and CKD kits, 15 percent for trucks and buses (10 percent for Ecuador), and a concessional rate of 5 percent for CKD kits available to assemblers participating in the regional/local content scheme (see below).

_ Automotive parts are subject to customs duties, which range from 5-15 percent.

Taxes:

_ VAT 16.5 percent, based on: CIF value, plus duty paid, plus customs fee
_ Transfer/local customs and service tax (5 percent), based on CIF value
_ Customs handling fee (2 percent), based on CIF value

Other Measures:

_ There are no limitations on the types of models imported, and no special import permits are required.
_ Local assemblers are free to assemble vehicles of any model and are also allowed to import vehicles. However all local assemblers are subject to a "Foreign Exchange Program", which amounts to 50 percent of foreign exchange outflow in the case of passenger cars.
_ Significant progress has been achieved in removing a non-tariff barrier involving certification requirements. This was based on obligatory quality and manufacturing standard certificates required for certain imports where the Venezuelan standards office COVENIN had established standards for Venezuelan products. Since customs demanded to see an "official" certificate to the effect that the imports complied with similar standards in their countries of origin, importers had the problem in cases where either such standards did not exist or no official standards institute was established which could certify adherence to standards. In the case of U.S. products, there was no official institution which could certify adherence to for instance ASTM or ASI standards or similar. However, importers have by now been able to overcome this and COVENIN appears to accept a statement by the foreign manufacturer to the effect that established standards have been applied. In cases, where the importers have not been able to provide any type of certification, COVENIN is now requesting a quality test by a local testing laboratory, a costly and time-consuming procedure, which the importers are protesting. COVENIN obligatory standards exist for the following products: batteries, safety belts and safety belt anchors, McPherson struts, brake cylinders, helicoidal springs, steel wheels, brake servos, radiator caps, safety glass, spark plugs, tires. retreading material, V-belts, rubber belts, mufflers, steering terminals, wheel lugs, water hoses, brake disks and drums and suspension parts. This list is subject to changes as COVENIN might add other items.
_ There are no labeling, marking or packaging requirements. Since there is some resistance by end users against non-identifiable manufacturers or countries of origin, it is advisable to print on the package or label the name of the manufacturer and his address or at least "Made in the USA". In the case of generic parts, it is helpful to list the automobile brands, model and model years for which the component is applicable.

Regional/Local Content:

_ Under the 1994 agreement, a regional/local content scheme was established for a five-year period so that vehicles and parts could be traded amongst all three countries duty-free. For example, the 1995-96 minimum requirement was set at 30 percent for automotive parts and passenger vehicles with a capacity of up to 16 persons and merchandise transport vehicles of a total weight of 4.5 tons (Category 1), and at 15 percent for other types of vehicles (Category 2). To enjoy the privilege of importing CKD material with a 3 percent import duty, assemblers must incorporate local content as follows: Category 1: 30 percent in 1995, 31 percent in 1996, and 32 percent in 1997. Category 2: 15 percent in 1995, 16 percent in 1996, and 17 percent in 1997. By January 1998, these rates rose to 33 and 18 percent, respectively. This Andean Automotive Program is currently under review by the concerned Governments for the next 5-year period (1999-2004), and, despite World Trade Organization (WTO) implications, there is a possibility that the regional content rules will gradually be adjusted upwards. For example, in the case of Category 1 vehicles, the percentage would increase 1.6 points each year until 2004, when it would reach 41 percent.

Import Restrictions:

_ The 1994 common policy prohibits imports from other countries of used cars, trucks, and buses, as well as new vehicles from previous years. It also bans trade in these vehicles among the member nations.

U.S. VIRGIN ISLANDS- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	605	895	426
Commercial use Vehicles	998	1,305	1,148

Source: Auto Strategies International Inc.

U.S. Virgin Islands:

There is a six percent tax assessed on all imported products, including new and used motor vehicles and automotive parts. However, products imported from the United States, but of foreign origin, are eligible for a tariff reduction equal to the amount of the duty paid upon that product's entry into the United States. For example, a passenger car on which a 2.5 percent tariff was paid would be subject to a 3.5 percent duty upon entry into the U.S.V.I. A truck on which a 25 percent tariff was paid would enter the U.S.V.I. duty free. Vehicles imported into the United States as new, but now considered used, are also eligible for the tariff reduction.

MIDDLE EAST

IRAN- New Motor Vehicle Sales (in units)

	1997	1997	1999
Personal use Vehicles	145,900	140,740	138,880
Commercial use Vehicles	32,926	30,852	32,650

Source: Auto Strategies International Inc.

<u>Iran</u>:

There are no local content regulations. In early 1992, Iran lifted its 10 year ban on automobiles. Individuals are now allowed to import permitted makes including (Mercedes Benz, BMW, Volkswagen, Peugeot, Volvo, Mitsubishi, Honda, Subaru and Toyota).

ISRAEL- New Motor Vehicle Sales (in units)

			1997
Personal use Vehicles	108,391	110,067	102,697
Commercial use Vehicles	41,497	37,928	39,152

Source: Auto Strategies International Inc.

<u>Israel</u>:

There are no import duties on U.S. automobiles. A uniform purchase tax rate of 100 percent, a VAT of 17 percent, and a 1.5 percent port tax is levied on automobiles. Israel accepts European motor vehicle standards, but not those of the United States. Most U.S. lighting and safety standards are accepted, however, headlamp standards are still a problem. Lead free gasoline is now becoming more readily available. All new automobiles with engines over 2,000 cc's must run on unleaded gasoline. Beginning January 1, 1996, the Israeli government began using a car's value, rather than its engine size, as the basis for income tax valuation. Similarly, engine size no longer forms the basis for car registration fees. The 2,000 cc engine size ceiling for government fleet procurement was also eliminated.

KUWAIT- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	26,023	55,100	29,885
Commercial use Vehicles	19,817	17,558	18,495

Source: Auto Strategies International Inc.

Kuwait:

There are no restrictions on vehicle imports. A 4 percent ad valorem import tariff is in effect. Imports of motor vehicles more than five years old are restricted. Unleaded gasoline is difficult to find, causing problems with U.S.-built cars with catalytic converters.

SAUDI ARABIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	60,401	163,000	92,927
Commercial use Vehicles	98,488	113,852	102,695

Source: Auto Strategies International Inc.

Saudi Arabia:

There are no local content regulations or import restrictions. The import tariff is 12 percent of C.I.F. value. Imported vehicles, new or used, must be equipped to operate on leaded gasoline, therefore cars should not be equipped with catalytic converters. Historically, Saudi Arabia has not enforced their vehicle standards. However, the officials of Saudi Arabian (SASO) standards organization have reported that they intend to increase enforcement of their vehicle standards.

TURKEY- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	356,107	268,187	340,661
Commercial use Vehicles	184,067	138,128	110,909

Source: Auto Strategies International Inc.

Tariffs:

In conjunction with its January 1, 1996 accession to the European Union's Customs Union, Turkey adopted a new import regime. The new regime applies the EUs common external tariff to third country imports and provides zero duty rates for non-agricultural items of EU/EFTA origin. The automotive industry was considered a sensitive industry. In this area, the EU agreed to a delay in the application of the common external tariff for five years, until the end of 2000, and this period is over. Turkey maintained higher customs duties for automotive imports during this period and Turkey decreased these rates each year, and reached the common external tariff by yearend 2000. According to this agreement, customs duties, which will be applied as of 2001, are as follows:

Passenger Cars*:

Engine Size (in cc)	Vehicles with Gasoline Engines (% x CIF value)	Vehicle with Diesel Engines (% x CIF value)
0-1500	10	10
1500-1600	10	10
1600-2000	10	10
2000 and above	10	10

A passenger vehicle is defined as a vehicle with a higher capacity to hold passengers than transporting goods.

Commercial Vehicles:

Transportation Capacity	Vehicles with Gasoline Engines (% x CIF value)	Vehicle with Diesel Engines (% x CIF value)
0-5 tons		
0-2500cc	10	10
2500cc and up	22	22
5-20 tons	22	22
20 tons and up	22	22

Taxes:

Value Added Tax (VAT):

Passenger Cars:

Engine Size	VAT Percentage
0-1600 cc	25%
1601 cc and up	40%

Commercial Vehicles:

All commercial vehicles are subject to a 17% VAT, based on CIF value.

Sales Tax (Purchase Tax):

This is a flat tax, which differs according to the engine size and weight of the vehicle. The rate changes every year. For example, for a 1600 cc, with a weight of 1000 kgs, sales tax is TL 891.5 million (approximately $900)

Additional Sales Tax:

up to 1600 cc:	Sales Price x 12%
1600 - 2000cc:	Sales Price x 18%
2000cc and up:	Sales Price x 24%

Environmental Fund Tax:

Sales Tax (Purchase Tax) x 25%

Contribution to Education: Flat tax of TL 11 million ($11) for every kind of vehicles, including commercial vehicles

Earthquake Tax: Flat tax of TL 22 million ($22) for every type of passenger cars only.

Other Measures:

Turkey's liberalized foreign trade regime permits the unrestricted import of foreign made vehicles. The only restriction is the age of the vehicle. The imported vehicle should either be manufactured in the year it is imported, or should carry the next year's model.

Companies planning to import vehicles to sell in quantities exceeding a set number of units, currently 75, are required to obtain a Maintenance, Repair and Service Certificate from the Turkish Minister of Industry and Commerce prior to importation. The importer is obligated to establish at least 20 vehicle service stations in seven geographic regions in Turkey and maintain sufficient spare parts. Each of these service facilities must obtain quality certificates from the Turkish Institute of Standards. A recent law states that both local manufacturers and importers must operate at least one service station themselves. The Ministry does not give a certificate unless it believes that the whole service station network is satisfactory, both in quality and quantity.

UAE- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	47,126	80,821	44,603
Commercial use Vehicles	33,984	42,538	33,000

Source: Auto Strategies International Inc.

United Arab Emirates:

There are no local content regulations or import restrictions on vehicles. The import tariff is 4 percent ad valorem of C.I.F. value.

ASIA

East Asia

CHINA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	446,496	602,306	602,572
Commercial use Vehicles	1,149,960	1,156,558	1,276,560

Source: Auto Strategies International Inc.

In its effort to accede to the WTO, China has tentatively agreed to make some significant trade and investment concessions in the automotive sector. Since almost all the concessions will be implemented upon accession, the following reflects China's current automotive trade and investment measures, not the status of China's WTO accession negotiations.

Tariff Measures:

_ In 1995, China announced tariff reductions on almost 5,000 commodities, in accordance with President Jiang's APEC promise to reduce the average tariff rate. China has since further committed to reduce the average tariff from 23 percent to 17 percent and to bind rates at 35 percent upon accession to the WTO. However, the automotive sector has been identified by the Chinese government as a pillar industry and, through possible exemptions, may have tariff rates that exceed the average.

Motor Vehicles:

_ China's import duty on motor vehicles ranges from 15 percent to 50 percent depending upon the type of vehicle and the vehicle's engine size.

Automotive Parts and Components:

_ Although banned in theory by Article 43 of China's Automotive Industrial Policy (AIP), the average import duty on CKD units are 50 percent, depending on the local content of the vehicle.

_ Import duties on automotive parts range from as low as 6 percent for integrated circuits to as high as 80 percent for car bodies. The average automotive parts import duty rate is roughly 25 percent. Aftermarket parts such as tires and windshield glass are subject to higher duties and require a special import license, which is reportedly difficult to obtain.

Taxes:

_ There is a 17 percent Value Added Tax (VAT) applied by the central government on imported automotive products.

_ There are also numerous and varied taxes assessed at the local level, which can result in a 65 percent increase in the cost of the vehicle.

Other Measures:

National Auto Policy:

_ China's national auto policy codifies restrictive trade and investment requirements established to encourage the development of an indigenous automotive industry. The policy, which was promulgated in July 1994, includes a series of investment, licensing, and trade rules to encourage the consolidation of a fragmented domestic industry and protect it from imports, which include many of the measures listed below.

Local Content Requirements:

_ Despite commitments under the 1992 U.S.-China market access MOU to eliminate import substitution, the AIP explicitly calls for production of domestic vehicles and parts as substitutes for imports and establishes an arbitrary level of local content requirements.

_ To gain project approval, foreign vehicle assemblers are required to achieve minimum local content levels of 40 percent for cars, and 50 percent for trucks during the first year of operation.

_ When a manufacturer reaches the 40/50 percent local content level, the remaining imported parts are assessed a 60 percent duty. The tariff rate drops to 48 percent when 60 percent local content is achieved for cars (70 percent for trucks). The tariff rate drops again to 32 percent for cars when 80 percent local content is achieved (90 percent for trucks).

Trading Rights:

_ Under the current regime, the state prohibits foreign firms from establishing and controlling distribution networks in China. Foreign companies are required to import vehicles and parts into China through a number of authorized Chinese trading companies. China is, however, drafting new laws on distribution and franchising that could liberalize these barriers for foreign manufacturers selling products in China. In the meantime, limitations on trading rights impede market access and stifle competition.

Foreign Ownership Controls:

_ The Government of China limits foreign ownership and control of projects and profits. Under the current policy, the state enforces 50 percent foreign equity restrictions on vehicle and key component joint ventures.

Price Controls:

_ Within a float of plus or minus 10 percent, pricing is also tightly controlled by the central government. There are no comparable restrictions for the auto parts industry.

WTO ACCESSION TALKS - AUTOMOTIVE PACKAGE

Tariffs on autos (currently 100% and 80%) will decrease as follows:

Rate	2000	2001	2002	2003	2004	2005	1/2006	7/2006
100%	77.5%	61.7%	50.7%	43.0%	37.6%	30.0%	28.0%	25.0%
80%	63.5%	51.9%	43.8%	38.2%	34.2%	30.0%	28.0%	25.0%

1.This reflects an acceleration of tariff cuts in the first years after accession as compared with China's previous offer set out below.

Rate	2000	2001	2002	2003	2004	2005
100%	87.5%	75.0 %	62.5 %	50.0 %	37.5 %	25%
80%	70.83%	61.66%	52.5 %	43.33%	34.16%	25%

Auto Parts

Tariffs will be phased down from an average of 23.4% to an average of 10%. For any auto parts tariff with a differential between the base rate and the final rate of less than 20 percentage points, the original schedule prevails resulting in fully phased-in tariffs cuts in 2000, 2001, 2002, 2003, and 2004 depending on the product. For products with differentials of 20-30 percentage points, the final duties will be phased in by January 1, 2006, with a 30% initial cut and remaining reductions made in equal annual installments thereafter. For products with differentials above 30 percentage points, final rates will be phased in by July 1, 2006, with a 25% initial cut and remaining reductions made in equal annual installments thereafter.

Quotas

Quotas on autos will be phased out by 2005 with an initial level of $6.0 billion, which exceeds the actual level of trade prior to implementation of the 1996 Auto Industrial Policy. Quotas will grow 15% annually until eliminated. Tariffs will be phased down to an average of 10%. For any auto parts tariff with a differential between the base rate and the final rate of less than 20 percentage points, the original schedule prevails resulting in fully phased-in tariffs cuts in 2000, 2001, 2002, 2003, and 2004 depending on the product. For products with differentials of 20-30 percentage points, the final duties will be phased in by January 1, 2006, with a 30% initial cut and remaining reductions made in equal annual installments thereafter. For products with differentials above 30 percentage points, final rates will be phased in by July 1, 2006, with a 25% initial cut and remaining reductions made in equal annual installments thereafter.

Distribution and Trading Rights

Currently in China, the right to engage in trade (importing and exporting) is strictly limited; only companies that receive specific authorization or who import goods to be used in production have such rights. This limits the ability of U.S. companies to do business in China, and has limited U.S. exports. China has agreed that companies in China and U.S. companies will be able distribute most products, including autos and auto parts, into any part of China three years after accession. This commitment is phased in over the three-year period.

China also generally prohibits companies from distributing imported products or providing related distribution services such as repair and maintenance services. China will permit foreign enterprises to engage in the full range of distribution services over a three-year phase-in period for almost all products, including autos and auto parts. (See separate papers on distribution services and related services.)

Auto Financing

Currently, only certain Chinese banks are authorized to conduct auto financing and only for certain vehicle models. Upon accession, non-bank financial institutions will be permitted to provide auto financing without any market access or national treatment limitations.

Other Commitments

To alleviate the uncertainty associated with China's inconsistent application, refund, and waivers of its 17% VAT tax, China has agreed to apply all taxes and tariffs uniformly to both domestic and foreign businesses.

China has agreed not to apply or enforce export-performance requirements, local-content requirements, and similar requirements as a condition on importation or investment approval.

HONG KONG- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	52,155	28,630	22,889
Commercial use Vehicles	22,410	9,684	8,522

Source: Auto Strategies International Inc.

Hong Kong:

There are no local content requirements, quantitative restrictions or import duties on motor vehicles. Cars must pass a strict emissions test. However, the Hong Kong standard is not as stringent as U.S. emissions regulations. Only right hand drive passenger cars are allowed. The exception is for buses and some commercial vehicles. Hong-Kong has an initial registration tax based on value. "Basic" cars valued below HK$ 30,000 are assessed a 90 percent tax; "Semiluxury" cars valued between HK$ 30,000-HK$ 60,000 are assessed a 105 percent tax; "Luxury" cars valued over HK$ 60,000 are assessed a 120 percent tax. Registration taxes on commercial vehicle ranges from 15-90 percent.

***CHINESE TAIPEI - New Motor Vehicle Sales (in units)**
**(commonly referred to as Taiwan)*

	1997	1998	1999
Personal use Vehicles	335,565	358,081	294,423
Commercial use Vehicles	132,351	111,536	115,548

Source: Auto Strategies International Inc.

Chinese Taipei:

In its effort to accede to the World Trade Organization (WTO), Chinese Taipei has agreed to make some significant trade and investment concessions in the automotive sector. Almost all of the concessions will be implemented upon accession, the following reflects Chinese Taipei's current automotive trade and investment measures -- not the status of Chinese Taipei's current WTO accession negotiations (pre-accession import quota allocations are included). However, it is important to note that upon Chinese Taipei's accession to the WTO many of these measures will experience significant change.

Tariff Measures:
Motor Vehicles:

2. Chinese Taipei assesses a 30 percent import tariff on passenger cars and trucks with an engine displacement of 3,500 cc or less. Other commercial vehicles are assessed a 42 percent tariff, except for refrigerated and insulated trucks. Chinese Taipei uses the invoice price of a vehicle as the basis for calculating the tariff-paying value.

3. *Note: The tariff on motor vehicle imports will be reduced from 30% to 20%, phased down by 1% each year following Chinese Taipei's accession to the WTO. Tariffs on motor vehicles outside the quota will be phased down from 60% to 20% over these same ten years.*

Automotive Parts and Components:

4. Automotive parts import tariff rates range from as high as 25 percent for certain internal engine parts to as low as 3.5 percent for ignition wiring sets. The average auto-parts and Completely-Knocked-Down (CKD) component import tariff is between 15-19 percent

Taxes:
Motor Vehicles:

5. All vehicles are subject to a 5 percent Value Added Tax (VAT) and a 0.5 percent Harbor Tax.
6. Chinese Taipei has two taxes based on engine displacement: 1) Special Commodity Tax and 2) License Plate Tax.
7. The commodity tax for passenger cars ranges from 25 percent to 60 percent and is calculated on the CIF price plus import tariff plus harbor tax of imported vehicles. The following is a breakdown of the current commodity tax structure by engine displacement:
   - 25 percent for passenger vehicles with an engine displacement of 2,000cc or less;
   - 35 percent for passenger vehicles with an engine displacement between 2,001cc - 3,600cc;
   - 60 percent for passenger vehicles with an engine displacement of 3,601cc or more.
8. *Note: Upon accession to the WTO, Chinese Taipei will replace its current system of three commodity tax levels based on engine displacement, with a two-level system. For vehicles with a displacement of 2,000cc or less, the commodity tax will remain 25 percent. However, vehicles at 2,001cc or more, the commodity tax will be 35 percent upon accession, and it will be further lowered to 30 percent five years after accession.*
9. The commodity tax for commercial vehicles is 15 percent.
10. Chinese Taipei's license plate tax ranges from under $100 for passenger vehicles with an engine displacement of 500cc or less, to over $5,500 for a passenger vehicle with an engine displacement between 6,601cc-7,800cc. Most U.S.-built passenger vehicles pay between $400- $2,500.

Other Measures:
Local Content Requirement:

11. Local vehicle manufacturers must meet a 50 percent local content requirement, including the mandatory local sourcing of certain components. The local content requirement is set to be lowered to 40 percent on January 1, 1999.
12. *Note: Upon accession to the WTO, in conformance with the Agreement on Trade-Related Investment Measures, Chinese Taipei will eliminate its automotive local content requirements.*

Vehicle Leasing:

13. Chinese Taipei has removed restrictions on foreign participation in the long term vehicle leasing business. The modifications to relevant regulations are scheduled to be completed by December 30, 1998.

Trade Balancing Requirement:

14. Japanese manufacturers located in Chinese Taipei are required to export to Japan 10 percent of the value of CKD vehicles imported from Japan.

Import Bans & Quotas:

15. Import of used vehicles for other than personal use is prohibited.
16. Import of diesel vehicles (except Jeeps) and two-stroke engine cars are prohibited.
17. Prior to 1996, Japanese and Korean motor vehicles were banned from Chinese Taipei (except for passenger cars with an engine capacity of 3,000cc or more). As part of the WTO accession process, Chinese Taipei agreed to grant Japan and Korea pre-accession import quotas for motor vehicles. In 1996, Korea was granted a import quota of 7,000 units, with a growth rate of 10 percent per year (1997 quota was 7,700 units). In 1997, Japan was granted a pre-accession import quota of 7,700 units, also with a growth rate of 10 percent per year. All vehicles entering Chinese Taipei under the pre-accession quota pay a 30 percent import tariff.
18. In addition, Chinese Taipei granted all local manufacturers a pre-accession import quota also known as the Global Quota. The global quota is 3,300 vehicles for each manufacturer/assembler. Of the 9 local motor vehicle manufacturers/assemblers in Chinese Taipei, 8 are Japanese. For Japan, this represented an additional quota allocation of 26,400 for 1997, with a 10 percent growth each year. All vehicles entering Chinese Taipei under the pre-accession global quota also pay a 30 percent import tariff.
19. *Note: A Tariff-Rate Quota (TRQ) will be in place for ten years after accession. For countries enjoying access to the Taiwan Market before 1997, of which the United States has the largest share, the quota will be double the amount of their highest level of imports between 1990 and 1993.*

SOUTH KOREA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	1,156,809	504,619	915,607
Commercial use Vehicles	365,168	211,842	365,506

Source: Auto Strategies International Inc.

<u>Korea:</u>

On October 20, 1998, Korea and the United States signed a Memorandum of Understanding

Regarding Foreign Motor Vehicles in the Republic of Korea (1998 U.S.-Korea Auto MOU) to improve access for foreign motor vehicles in the Korean market. The MOU will result in changes to Korea's automotive trade regime as it is implemented. Those changes and their anticipated dates for implementation are described below.

Tariffs:

20. Passenger vehicles are assessed an applied tariff rate of eight percent. The applied tariff rate for commercial vehicles is ten percent.
21. Per the 1998 MOU, The Korean Government agreed to notify the World Trade Organization (WTO), within 30 days of entry into force of the MOU, that it would lower its bound tariff rate on passenger vehicles from 80 percent to its current applied rate of eight percent, constraining the Korean Government's ability to raise this tariff rate in the future.
22. The applied tariff rate for most automotive parts and components is eight percent or lower.

Taxes:

23. The taxes described below are calculated cumulatively, but several are applied as percentages of other automotive taxes. Due to the complexity of the multiple tax categories and rates and the methodology for calculating tax rates on various values of the vehicle, more detailed information than is contained in this report can be obtained from the Office of Automotive Affairs.
24. The Korean Government imposes eleven different taxes on passenger cars, which are assessed on the C.I.F. value of the vehicle plus the 8 percent tariff. Under the 1998 MOU, two of these taxes will be eliminated. Three of the remaining taxes are based on engine displacement. The Korean engine displacement taxes are currently applied such that a disproportionate financial burden falls on vehicles with larger engines (over 2,000cc).

Taxes Levied at the Purchase Stage:

25. At the purchase stage, the following three taxes are levied: 1) *special excise tax* (a percentage of the C.I.F. value of the vehicle plus duty), 2) *special excise education tax* (30% of the special excise tax), and 3) a 10% *value added tax* (VAT).
26. The special excise tax is based on engine displacement. On July 10, 1998, the Korean Government temporarily reduced the rates in each of the three engine displacement categories by 30 percent as follows:

	Prior to July 1998	Rates until *at least* July 2005
1,500cc and below	10%	7%
1,501cc-2,000cc	15%	10.5%

Over 2,000cc	20%	14%

27. Under the 1998 MOU, the Korean Government committed to maintain this reduction of the special consumption tax until *at least* July of 2005.

Taxes Levied at the Registration Stage:

28. At the registration stage, the Korean Government levies the following five taxes: 1) *acquisition tax* (2% or 15% of the retail price before VAT depending on the price of the vehicle), 2) *special tax for rural development* (10% of the acquisition tax), 3) *registration tax* (5% of the retail price before VAT), 4) *registration education tax* (10% of the acquisition tax) and 5) *subway bond or regional development bond* (based on engine displacement).
29. Under the 1998 MOU, the Korean Government confirmed its intention to pass legislation to eliminate and not reintroduce two of these taxes: 1) the education tax levied on the value of the registration tax and 2) the special tax for rural development. This change should be effective in January 1999.
30. The subway bond/regional development bond is another tax based on engine displacement. The engine displacement categories and rates are as follows:

	Subway Bond	Regional Development Bond	
Passenger vehicles:			
Below 800cc	N/A	1.5%	
800cc-999cc	4%	3%	
1,000cc-1,499cc	9%	6%	
1,500cc-1,999cc	12%	8%	
2,000 and over	20%	12%	
Sport utility vehicles:			
5%	6%	(regardless of engine size)	
Minivans *until January 2005*:	390,000 Won	3%	(regardless of engine size)

31. In 1996, the Korean Government announced the reclassification of SUVs and minivans. The new regulations, which have not yet been implemented, will change the definition of a passenger vehicle as having a designated seating capacity of 9 persons or less. Previously, a vehicle with designated seating capacity of 6 or less was considered a passenger vehicle. This reclassification of minivans will effectively increase taxes in these segments.
32. Under the current Aminibus@ classification, minivans are assessed a flat annual tax rate of 65,000 Won and a flat rate subway bond rate of 390,000 Won, as opposed to calculating these taxes by multiplying engine displacement by a certain increasing factor.
33. Under the 1998 MOU, the Korean Government will go forward with the reclassification of

minivans as passenger vehicles effective January 1, 2000. The increase in the annual vehicle tax and subway bond, however, will be phased in over three years in equal annual increments beginning no sooner than January 1, 2005.

Taxes Levied at the Ownership Stage:

34. The Korean Government also assesses three taxes at the ownership stage: 1) *annual vehicle tax* (based on engine size), 2) *annual vehicle education tax* (30% of the annual vehicle tax) and 3) a *license fee* (nominal but based on engine size also).
35. The annual vehicle tax is based on engine displacement. Under the 1998 MOU, the Korean Government will reduce the annual vehicle tax for all motor vehicles with engine displacement of greater than 2,000cc=s to a maximum of 220 Won per cc, effective March 1999. The current and future rates are as follows:

Passenger vehicles and SUVs:	Prior to March 1999	After March 1999
800cc and below	100 Won/cc	80 Won/cc
801cc-1,000cc	120 Won/cc	100 Won/cc
1,001cc-1,500cc	160 Won/cc	140 Won/cc
1,501cc-2,000cc	220 Won/cc	200 Won/cc
2,001cc-2,500cc	250 Won/cc	220 Won/cc
2,501cc-3,000cc	310 Won/cc	220 Won/cc
3,001cc and over	370 Won/cc	220 Won/cc

Minivans *until January 2005*: 65,000 Won

Other Measures:
Standards and Certification Procedures:

36. The Korean Government maintains a type approval certification system for motor vehicles. Under the 1998 MOU, the Korean Government will take numerous measures to streamline its current type approval certification system. Key measures include, but are not limited to:
    37. Incremental increase of the safety compliance test threshold to 2500 units per model per calendar year by January 1, 2001. Below this threshold, the Korean Government requires manufacturer's to submit only a manufacturer's certificate of compliance.
    38. Significant minimizing of documentation requirements for models imported in volumes above threshold to certify to Korean standards for which there are U.S. and/or ECE/EEC equivalents.
    39. Acceptance of motor vehicles with headlamps meeting the ECE or U.S. beam pattern standard.
    40. Allowance for waiver of the completion test, previously conducted on every vehicle

sold in the Korean market, as an element of the certification process.

41. Streamlining of documentation requirements for certification to environmental standards, allowance of entities other than the Korean Ministry of Environment (MOE) to conduct tests for environmental standards, elimination of spot check inspections by MOE of each vehicle imported, reduction in inspections required to be performed by the manufacturer and a reduction in the number of site visits required by MOE.
42. The most significant change the Korean Government plans is to shift its standards certification system from type approval to self-certification no later than the year 2002.

Automotive Financing and Leasing:

43. In December 1997, the Korean Government received funding from the IMF and other multilateral and bilateral sources intended for use in stabilizing its economy. The Korean Government has subsequently signed a series of letters of intent outlining its IMF-supported program of economic reforms. This program includes measures to restructure Korea's financial system in ways that will contribute to market opening and greater transparency in all industrial sectors in Korea, including the motor vehicle industry.
44. Use of installment financing to stimulate imported motor vehicle sales remains limited, however, due to the inability of lenders to perfect their security interest per the Korean legal system.
45. Under the 1998 MOU, the Korean Government will permit non-commercial motor vehicles to be subject to A mortgages@ (similar to liens in the U.S.), and will take necessary measures to establish for mortgaged vehicles, efficient, expeditious and commercially reasonable foreclosure procedures to facilitate the recovery of financial losses in the event of default.
46. The Korean Government anticipates that revisions in its legal system to allow for an efficient mortgage system can be completed by the end of 1999.

Bias Against Imported Products:

47. Pervasive anti-import sentiments have limited marketing opportunities and intimidated potential customers of foreign vehicles in Korea.
48. A perception is widely held by the Korean public that purchasing an imported passenger vehicle will risk subjecting them to public A backlash and scrutiny by the Korean Government. This perception stems from the Korean Government's past support for campaigns and programs that discouraged the purchase of imported products. For example, in December 1996 and early 1997, the National Tax Office (NTO) engaged in broad action directed at lessees of imported autos. Though withdrawn after complaints by foreign governments, the threat of tax audits for lessees of imported cars had a chilling effect on sales of imported vehicles.
49. As a result of severe economic downturn, a resurgence in early 1997 of frugality campaigns

launched by civic organizations ostensibly to reduce conspicuous consumption and ameliorate Korea's trade deficit, frequently deteriorated into the fomenting of anti-import bias among the average consumer. While domestic sales have declined generally due to the economic downturn in Korea, imports of vehicles have fallen precipitously in great part as a result of this bias. An increase in vandalism and other forms of discrimination against U.S. and other foreign vehicles has also been reported.

50. As part of its commitments in the 1998 MOU, the Korean Government will continue and reinvigorate efforts to address effectively and expeditiously such instances of anti-import activity and to preclude discrimination against foreign motor vehicles.
51. The Korean Government has also committed to encourage publicly the equal treatment of foreign and domestic motor vehicles through such means as direct outreach to civic groups, in an attempt to improve the environment for sales of foreign motor vehicles.

Import Ban:

52. Until recently, the Korean Government maintained an import source diversification policy which effectively banned the import of selected products from Japan. In 1996, the Korean Government notified the WTO of its intention to end the program by the end of 1999; as part of its economic reform program and negotiated conditionality for IMF financial support, the ROKG advanced the date for lifting the ban to June 1999.
53. On June 30, 1998, the Korean Government implemented the second tranche of this plan to liberalize imports, removing the ban on 40 products from Japan, including motorcycles with engines 50cc or smaller.
54. The import ban on passenger vehicles and automotive parts and components from Japan will not be lifted until the final tranche scheduled for June 30, 1999.

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JAPAN- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	4,492,003	4,093,148	4,154,084
Commercial use Vehicles	2,223,023	1,786,277	1,707,132

Source: Auto Strategies International Inc.

<u>Japan</u>:

Tariffs:

55. Import duties on motor vehicles have been waived indefinitely since 1978.

Taxes:

56. Japan currently levies a 5 percent consumption tax on vehicles over 660 cc's. This tax was

increased from 3 percent in April of 1997.

57. In addition to the consumption tax, there is an annual automobile tax which increases by engine size, ranging from 7,200 to 148,500 yen, and an acquisition tax for automobiles, 5 percent on automobiles for private use and 3 percent on mini vehicles and automobiles for business use.
58. Japan maintains no local content requirements or quantitative restrictions.

Other Measures:
Continuing high-level U.S. Government interest in the auto sector, while highly politicized, has opened numerous windows of opportunities for U.S. firms. As a result of the U.S.-Japan Automotive Framework Talks 1992-1995, market opening initiatives were directed primarily at non-tariff trade barriers. The USG and GOJ reached a formal agreement on August 23, 1995. Interim reports on the market success of U.S. firms since that time have for the most part shown positive results.

Domestic automobile dealers tend to have strong financial ties to Japanese vehicle manufacturers. Generally, this is not the case with import automobile dealers and foreign vehicle manufacturers. One-third of the franchised Japanese domestic automobile dealers in Japan have equity participation from vehicle manufacturers, whereas only 5 percent of franchised import automobile dealers have equity participation. Twenty-five percent of Japanese domestic auto dealers borrow short-term operating funds from vehicle manufacturers, and 40 percent have long-term debts with them. Import automobile dealers, however, are not indebted to foreign manufacturers except in a few rare cases. Although incentives are not supposed to be used to control automobile dealers, Japanese dealer financial performance often appears to depend on the scale of incentives they receive from vehicle manufacturers.

Until 1980, dealership contracts included a clause requiring exclusive dealer arrangements. A clause requiring advance consultation with some manufacturers before establishing new relationships existed through 1990. Current franchise agreements for Japanese vehicle manufacturers no longer have such clauses (which restrict dealers' legal rights to handle other manufacturers' motor vehicles), although very strong informal pressures remain.

South West Asia

INDIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Commercial use Vehicles	389,784	248,237	200,436

Personal use Vehicles	373,479	403,325	576,089

Source: Auto Strategies International Inc.

Tariffs:

59. Motor vehicles are assessed a basic customs duty of 35 percent and of the value listed on the manufacturer's invoice.
60. India also assesses an additional duty, also known as the countervailing duty and applied at the same rate as the excise duty applied to domestically-produced motor vehicles, of 32 percent, which is calculated as a percentage of the aggregate of C.I.F. value of the vehicle *plus* the basic duty *plus* the special duty.
61. In June 1998, the Government of India introduced the special additional duty of 4 percent, which is calculated as a percentage of the aggregate of C.I.F. value of the vehicle *plus* the basic duty, *plus* the countervailing duty.
62. The Government of India has stated that the special additional duty is imposed to offset a domestic tax assessed only on locally manufactured products. It is described as similar to a VAT or sales tax in that it is not paid by the importer on inputs for further manufacture, but rather assessed on the final product. However, questions have arisen as to whether the tax constitutes double taxation as each Indian state imposes its own sales tax as well.
63. Including an additional tax of 0.125 percent, the total effective duty on the import of motor vehicles works out to approximately 111 percent.
64. The basic customs duty on most auto parts ranges from 15-18 percent.
65. The Central Board of Excise and Customs ruled January 21, 1998, that CKD/SKD kits, which are taxed at the same rates as CBUs, are eligible for a credit for the full 40 percent additional duty as they are considered inputs for manufacture. However, if the kits contain all of seven essential parts, components or sub-assemblies (engine, gear box, chassis, transmission, body/cab, suspension system, front/rear axles), the kits treated as finished motor vehicle for purpose of assessing customs duties.
66. India's auto tariffs are not bound in the WTO.

Other Measures:
Import Licensing:

67. On December 12, 1997, the Indian Government's Cabinet Ministry of Commerce published in the <u>Gazette of India</u> *Public Notice No. 60*, a comprehensive new auto policy. This policy requires the issuance of licenses for the importation of completely knocked-down (CKD) and semi-knocked down (SKD) kits and components to joint venture motor vehicle manufacturing companies. To be eligible for an import license, all existing and new joint venture companies must enter into a memorandum of understanding (MOU) with the Directorate General of Foreign Trade in the Ministry of Commerce (DGFT). The MOUs require such joint ventures to:

    68. achieve 50 percent local content by their third year of operation and 70 percent local

content by the fifth year;

69. achieve a Abroad neutralization of foreign exchange by balancing the value of imports of CKD/SKD kits/components with the value of exports of cars and components over a stated period; and
70. from the fourth year forward, limit imports to a value based on the previous year's exports.

71. This policy pronouncement supercedes the previous case-by-case approach that involved the negotiation of individual MOUs between auto manufacturers and the DGFT. The Government of India will not grant import licenses to companies for CKDs/SKDs until revised MOUs have been signed.

72. The new policy also specifies that auto production facilities and not mere assembly operations must be established by foreign investors in this sector, and that majority foreign partners in new joint ventures must have a minimum equity investment of US$50 million within three years of the start of operations.

73. Citing concern that the auto policy contains measures which are inconsistent with the India's obligations under GATT 1994 and the Agreement on Trade-Related Investment Measures (TRIMs), in October 1998 and May 1999, respectively, the European Union and the United States requested consultations with the Government of India in the WTO, arguing that certain auto policy measures violate India's TRIMs commitments. At the request of the United States, the WTO established a dispute settlement panel in July 2000, and combined with the previous panel established in July.

74. The Indian Government has indicated that it is revising its auto policy to address these issues, although no new auto policy had been announced by March 1, 2001. Indian press reports indicate that the Indian government will eliminate the MOU and foreign exchange balancing requirements for foreign auto investments when quantitative restriction (i.e., import licensing requirements) are phased out on April 1, 2001, but will maintain local content and export requirements.

75. Certain importers are eligible to import vehicles without a license, but on a foreign exchange neutrality basis, meaning that no foreign exchange is permitted to leave India to finance the import. Categories of eligible importers include:

Persons settling permanently in India

Foreign nationals married to Indian nationals

Foreign nationals working in India

Foreign firms, companies and institutions established in India

Companies incorporated in India having

foreign equity

Journalists/correspondents of foreign

news agencies

Indian firms executing contracts abroad
Charitable and missionary institutions
Physically handicapped persons
Honorary consuls of foreign

governments

76. The Government of India prescribes the requirements and conditions under which the eligible importers listed above may bring vehicles into India. Please refer to the following web site for additional information: *http://konark.ncst.ernet.in/customs/Car.html*

Economic Sanctions

77. Following India's detonation of five nuclear explosions on May 11 and 13, 1998, the President invoked economic sanctions on May 13 under the Arms Export Control Act of 1994. U.S. firms are permitted to conduct business with Indian private and public organizations, subject to the provisions of these sanctions. For details, please contact the India Sanctions Hotline at (202) 482-2955 and visit the web site at: www.mac.doc.gov/india.

NEPAL

Nepal: An import license is required. The import duty on mini-buses and public carriers is levied at around 154 percent (70 percent regular customs duty, 55 percent additional duty and 20 percent sales tax). The import duty on other vehicles is 201 percent (70 percent regular customs duty 55 percent additional duty and 20 percent sales tax).

PAKISTAN- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	16,206	48,900	48,000
Commercial use Vehicles	10,381	6,147	5,655

Source: Auto Strategies International Inc.

Pakistan:
Tariffs:
Motor Vehicles:

78. The import duty on passenger cars is between 100-265 percent of C.I.F. value based on engine displacement.

- up to 999cc 100 percent
- 1,000-1,300cc 120 percent
- 1301-1800cc 150 percent
- more than 1,800cc 265 percent

79. Station wagons and 4x4 vehicles are assessed an import duty of 100 percent.
80. Commercial vehicles are assessed an import duty of 60 percent.
81. Buses and coaches under 69 passengers pay a import duty of 20 percent, while buses with capacity for 70 people or more are duty free.
82. Completely knocked down kits (CKDs) for passenger cars are assessed an import duty of 32 percent.
83. Commercial vehicles, including 4x4 vehicles, are assessed an import duty of 30 percent.

Taxes:

84. A vehicle tax of 10 percent and flood relief tax of 1 percent are assessed on all vehicles.
85. A sales tax is assessed on all CKDs and motor vehicles:
    - All passenger cars and commercial vehicle CKDs are assessed a 20 percent tax.
    - Passenger cars are assessed a sales tax based on engine displacement.
        - -- up to 999cc 30 percent
        - -- 1,000-1,300cc 33 percent
        - -- 1301-1800cc 38 percent
        - -- more than 1,800cc 55 percent
    - Commercial vehicles are assessed a sales tax of 24 percent.

Other Measures:

Import Bans & Quotas:

86. Only local motor vehicle assemblers and Pakistani expatriates who pay in foreign currency earned overseas are allowed to import vehicles.

Investment Measures:

87. Incentives consisting of tax holidays and duty reductions have been granted to new industrial projects.
88. There are no equity limitations, however, 20 percent public holding of equity is required to obtain favored tax treatment.

Local Content Requirements:

89. There is a local content requirement for motor vehicles: 40 percent within the first 7 years. However, new assemblers are expected to achieve a local content level of at least 40 percent within 5 years of starting production.

Safety and Emissions Standards and Certification Procedures:

90. U.S. and European vehicle specifications are accepted.

SRI LANKA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	6,634	1,703	2,012
Commercial use Vehicles	2,868	3,065	1,702

Source: Auto Strategies International Inc.

<u>Sri Lanka</u>:

Tariffs:

91. According to Chapter vi of the 2001 Sri Lanka Country Commercial Guide, Motor cars are subject to a 25 percent import tariff. There is an additional excise duty which is currently set at 15 percent for petrol cars and 65 percent for diesel cars. Other taxes include a 6.5 percent national security levey, a 12.5 percent Goods and service tax which is a value-added tax and an excise tax on cigarettes, liquor, petrol and motor vehicles. All taxes are also charged on locally manufactured goods.

Taxes:

92. Sri Lanka also assesses a 20 percent turnover tax, charged on the CIF value plus import duty.

93. On diesel vehicles there is also a 50 percent of C.I.F. excise tax.

Other Measures:

94. No import licenses are required, however vehicles should be less than 3 years old (5 years for commercial vehicles) from the date of manufacture and equipped with right-hand drive.
95. Imports for diplomatic missions are duty-free.
96. Senior public servants including doctors, engineers, lawyers and senior administrators are allowed to import a motor vehicle at 25 percent import duty. This concession is available to this group once every five years. They also get a partial waiver on the turnover and excise taxes.

ASEAN

Nine countries currently form the membership of the Association of South East Asian Nations (ASEAN). These countries include Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar (Burma), the Philippines, Singapore, Thailand and Vietnam. These countries aspire to achieve an ASEAN Free Trade Area (AFTA) by 2003, under which all internal tariffs on manufactured products are supposed to be lowered to 0-5 percent, as applied by the common effective preferential tariff (CEPT).

There are three trade schemes in ASEAN which have an impact on automotive trade within the region: the AICO (ASEAN Industrial Cooperation), the BBC (Brand-to-Brand Complementation), and the AIJV (ASEAN Industrial Joint Venture). All of these programs are slated to expire upon full implementation of the AFTA in 2003. (The AFTA will retain a 40 percent ASEAN content rule, but abolish the localization schemes in each country, as well as the import tariff exemptions and local capital requirements.) The AICO scheme has effectively replaced the BBC and AIJV programs.

Under the AICO scheme (established in November 1996), approved companies are eligible to benefit immediately from the AFTA 0-5% preferential tariff rate, for trade in approved items. (In the automotive sector this applies to completed vehicles, parts, half-finished goods and material.) In order to qualify, products must have 40 percent ASEAN content, demonstrate resource sharing between participating companies, and companies must have at least 30 percent local equity (Which has been waived temporarily).

BURMA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	453	145	82
Commercial use Vehicles	364	157	454

Source: Auto Strategies International Inc.

Burma:

There are no local content regulations or import restrictions. Customs duties ranging from 30-300 percent are levied on imported automobiles.

INDONESIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	81,662	11,993	5,647
Commercial use Vehicles	354,011	79,182	81,623

Source: Auto Strategies International Inc.

Tariffs:
Motor Vehicles:
In July of 1999 Indonesia introduced a new automotive policy. This new policy was introduced in order to bring Indonesia into compliance with the World Trade Organization Agreement on Trade Related Investment Measures (TRIMs) and to comply with the terms of the IMF Agreement granting $43 billion in aid to Indonesia.

Under the new policy, Indonesia removed all support for the National Car Program, and removed all local content requirements. Tariff rates were also significantly lowered for most automotive products. Import duty and luxury tax rates are now based on engine size, with lower rates applied to vehicles with smaller sized engines. Also, lower duty rates are applied to CKDs verses CBUs for the same vehicle categories.

	HS Code	Import Duty %	Luxury Tax %

I. Bus	8702		
With compression ignition, internal combustion piston engine (diesel/semi-diesel)	8702.10		
CKD: less than 24 tons	8702.10.110	25	10
CKD: others	8702.10.190	0	10
CBU: less than 24 tons	8702.10.910	40	10
CBU: others	8702.10.990	5	10
Others:	8702.90		
CKD: less than 24 tons	8702.90.110	25	10
CKD: others	8702.90.190	0	10
CBU: less than 24 tons	8702.90.910	40	10
CBU: others	8702.90.990	5	10
II. Sedan/Station Wagon/Minibus/Jeep			
With spark ignition internal combustion reciprocating piston engine	8703		
Less than 1,000cc	8703.21		
Sedan/S. Wagon: CKD	8703.21.110	35	30
Sedan/S. Wagon: CBU	8703.21.190	65	30
Other: 4x2 CKD	8703.21.911	25	10
Other: 4x2 CBU	8703.21.919	45	10
Other: 4x4 CKD	8703.21.921	25	30
Other: 4x4 CBU	8703.21.929	45	30
From 1,000 to 1,500cc	8703.22		
Sedan/S. Wagon: CKD	8703.22.110	35	30
Sedan/S. Wagon: CBU	8703.22.190	65	30
Other: 4x2 CKD	8703.22.911	25	10
Other: 4x2 CBU	8703.22.919	45	10
Other: 4x4 CKD	8703.22.921	25	30
Other: 4x4 CBU	8703.22.929	45	30
From 1,500 to 3,000cc	8703.23		
Sedan/S. Wagon: CKD	8703.23.110	40	40
Sedan/S. Wagon: CBU	8703.23.190	70	40

Other: 4x2 CKD	8703.23.911	25	15
Other: 4x2 CBU	8703.23.919	45	15
Other: 4x4 CKD	8703.23.921	25	40
Other: 4x4 CBU	8703.23.929	45	40
More than 3,000cc	8703.24		
Sedan/S. Wagon: CKD	8703.24.110	50	50
Sedan/S. Wagon: CBU	8703.24.190	80	50
Other: 4x2 CKD	8703.24.911	25	30
Other: 4x2 CBU	8703.24.919	45	30
Other: 4x4 CKD	8703.24.921	25	50
Other: 4x4 CBU	8703.24.929	45	50
With compression ignition, internal combustion piston engine (diesel/semi-diesel)			
Less than 1,500cc	8703.31		
Sedan/S. Wagon: CKD	8703.31.110	35	30
Sedan/S. Wagon: CBU	8703.31.190	65	30
Other: 4x2 CKD	8703.31.911	25	10
Other: 4x2 CBU	8703.31.919	45	10
Other: 4x4 CKD	8703.31.921	25	30
Other: 4x4 CBU	8703.31.929	45	30
From 1,500 to 2,500cc	8703.32		
Sedan/S. Wagon: CKD	8703.32.110	40	40
Sedan/S. Wagon: CBU	8703.32.190	70	40
Other: 4x2 CKD	8703.32.911	25	15
Other: 4x2 CBU	8703.32.919	45	15
Other: 4x4 CKD	8703.32.921	25	40
Other: 4x4 CBU	8703.32.929	45	40
More than 2,500cc*	8703.33		
Sedan/S. Wagon: CKD	8703.33.110	50	50
Sedan/S. Wagon: CBU	8703.33.190	80	50
Other: 4x2 CKD	8703.33.911	25	30
Other: 4x2 CBU	8703.33.919	45	30
Other: 4x4 CKD	8703.33.921	25	50
Other: 4x4 CBU	8703.33.929	45	50

C. Others	8703.90.000	80	50

*Sedans and 4x4 vans/jeeps with engine of more than 4,000 cc are subject to 75% Luxury Tax.

III. Trucks	8704		
With compression ignition, internal combustion piston engine (diesel/semi-diesel)			
Less than 5 tons: CKD	8704.21.100	25	0
Less than 5 tons: CBU	8704.21.900	45	0
From 5 to 20 tons: CKD	8704.22.100	25	0
From 5 to 20 tons: CBU	8704.22.900	40	0
More than 20 tons:	8704.23		
More than 24 tons: CKD	8704.23.110	0	0
More than 24 tons: CBU	8704.23.190	5	0
Others: CKD	8704.23.910	25	0
Others: CBU	8704.23.990	40	0
With spark ignition internal combustion reciprocating piston engine			
Less than 5 tons: CKD	8704.31.100	25	0
Less than 5 tons: CBU	8704.31.900	45	0
More than 5 tons:	8704.32		
More than 24 tons: CKD	8704.32.110	0	0
More than 24 tons: CBU	8704.32.190	5	0
Others: CKD	8704.32.910	25	0
Others: CBU	8704.32.990	40	0
Other	8704.90		
More than 24 tons: CKD	8704.90.110	0	0
More than 24 tons: CBU	8704.90.190	5	0
Others: Less than 5 tons CKD	8704.90.911	25	0
Others: Less than 5 tons CBU	8704.90.919	40	0
Others: More than 5 tons CKD	8704.90.991	25	0

Others: More than 5 tons CBU	8704.90.999	40	0

Taxes:

- In addition to the duty and luxury tax, Indonesia applies a 10 percent Value Added Tax (VAT).

- On December 22, 2000, the GOI increased luxury sales taxes on 41 kinds of products, which include automobiles. Through the Government Regulation No.145/2000, the GOI increased the luxury tax on 4,000cc sedans and 4x4 Jeeps or vans from 50 percent to 75 percent. Also, the luxury tax on automobiles with engine capacity between 1,500cc and 3,000cc was increased from 15 percent to 20 percent.

- Jakarta City Vehicle Tax:
  In order to boost city revenues, the Jakarta City Administration recently increased vehicle taxes between 0.34 percent and 22.47 percent. The new tax rates took effect on April 25, 2001, following the issuance of Governor Decree No.33/2001 on Vehicle Taxes and Change of Vehicle Ownership Taxes.

  The new decree stipulates that vehicle taxes are calculated based on vehicles= selling prices, regardless of their engine capacities, as was the case in the old decree. The vehicle selling prices are determined by the Governor and subject to annual adjustments in accordance with the market prices. Previously, vehicle taxes were set at 1.5 percent of their selling prices, with engine capacities being taken into account.

  The tax increase brings the rate for trucks to 22.47 percent, followed by the tax on sedans (14.87 percent), on jeeps (14.27 percent), on motorcycles (8.12 percent), on dump trucks and tank trucks (6.85 percent), on minibuses (5.14 percent), and on heavy equipment (0.34 percent). Other vehicles such as station wagons, three wheelers, and minivans are excluded from the tax increase.

Other Measures:

National Car Policy:

- On January 15, 1998, as part of its agreement to receive $43 billion in financing from the International Monetary Fund (IMF), Indonesia agreed to end support for its WTO-violative National Car Program. (The program, initiated in February 1996, offered tax and tariff incentives to increase local content and local ownership of automotive companies in Indonesia and the local content of the automobiles they manufacture. The program was in violation of several articles of the WTO. On October 1, 1996 the Office of the United States Trade Representative (USTR) announced the initiation of a Section 301 investigation of Indonesia's National Car Program. Additionally, the United States, as well as Japan and the EU, brought WTO dispute settlement cases against the Program.) The Government of Indonesia (GOI) budget, per agreement with the IMF, eliminated all special tax, custom and credit privileges for the Program.

Local Content Requirements:

- With the implementation of the new automotive policy in 1999, Indonesia removed all local content requirements.

Import Bans and Quotas:

- Used vehicle and automotive part imports are prohibited.

Investment Requirements:

- Under the Government Regulation No.20/1994 and the Presidential Decree No.31/1995, foreign investors are allowed to acquire 100 percent ownership of their investment in Indonesia and the automotive sector is open for foreign direct investment.

- The minimum capital requirement for foreign investment has been eliminated.

- Under the decrees of the Ministry of Finance No.297/1997 jo., No.545/1997 and No.546/1997, the GOI exempts importation of capital equipment, which include production machinery and raw materials, from import duties.

- Investment procedures have been substantially simplified. Foreign investment's application with a value of more than $100 million, which formerly needed the President's approval, is now subject only to the approval of the Investment Coordinating Board (BKPM). Moreover, the BKPM is currently making necessary preparations to grant more authority to the Local Government Authority to issue investment licenses.

- The tax holiday is a new incentive for investors in 22 kinds of manufacturing activities. The basic period of enjoying the tax holiday is 3 years for Java and Bali. The 3-year incentive can be extended up to 12 years if certain requirements are met.

Distribution

- The GOI requires foreign automakers to be represented by a single exclusive agent throughout Indonesia. However, the new automotive policy allows any imported vehicles to be imported by companies other than the exclusive agent. The exclusive agent remains the sole authorized dealer and the only party who can operate maker-authorized repair services. Consequently, some exclusive agents are now advertising that they are not responsible for performing warranty services on vehicles they did not import.

MALAYSIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	270,762	139,179	256,455
Commercial use Vehicles	123,049	25,723	42,902

Source: Auto Strategies International Inc.

Malaysia:

Tariffs:
Motor Vehicles:

- The import duty for passenger cars is between 140-300 percent, based on engine displacement. (New Diesel cars (CBUs) are charged a rate of 120 percent, while used diesel cars are charged the same rates as gasoline engine vehicles [chart below]).

Passenger Cars

	CBU	CKD
Engine Capacity (cc)		
Less than 1,800	140%	42%
1,800 - 1,999	170%	42%
2,000 - 2,499	200%	60%
2,500 - 2,999	250%	70%
3,000 and above	300%	80%

- The import duty for 4WD and MPVs ranges from 60-180 percent.

4WD and MPVs

	CBU	CKD

Engine Capacity (cc)		
Less than 1,800	60%	10%
1,800 - 1,999	80%	20%
2,000 - 2,499	150%	30%
2,500 - 2,999	180%	40%
3,000 and above	200%	40%

- The import duty for vans ranges from 42-140 percent.

Vans

	CBU	CKD
Engine Capacity (cc)		
Less than 1,800	42%	5%
1,800 - 1,999	55%	10%
2,000 - 2,499	100%	30%
2,500 - 2,999	125%	40%
3,000 and above	140%	40%

Commercial Vehicles

CBU	CKD
30%	Nil

Automotive Parts and Components:

- The import duty for auto parts and components ranges from 0-42 percent.
- The import duty for National Cars (Proton and Perodua are the two national vehicles) CKDs is 13 percent.

Taxes:

- A 10 percent sales tax on all vehicles is assessed.
- An excise tax on passenger cars is assessed on a graduated schedule:

  First RM 7,000 x 25%
  Next RM 3,000 x 30%

Next RM 3,000 x 35%
Next RM 7,000 x 50%
Next RM 5,000 x 60%
Balance x 65%

- There is a 45 percent excise tax on MPVs and 4WD vehicles.
- There is a 30% excise tax for vans
- No excise tax for commercial vehicles
- National cars receive a 50 percent reduction in the excise tax.
- A road tax of 0.13 to 3.6 ringgits is assessed, based on engine displacement.

Other Measures:
National Car Policy:
- The Malaysian government heavily influences the activities of the domestic automotive manufacturers/assemblers. Malaysia has developed the automotive sector to help reduce the effects of volatile changes in rubber and palm oil prices on its economy, avoid having a huge trade deficit, and as a platform for economic development. Malaysia believes that a strong motor industry brings employment, technology and prestige.
- 23 assembly companies vehicles in Malaysia, but the market is dominated by Proton and Perodua, Malaysia's National Car companies. Combined, the two maintain over 80 percent market share in Malaysia.
- Loans for vehicles valued RM40,000 and below require a 15 percent down payment and a seven-year maximum repayment period. Above RM40,000, the down payment is 30 percent with a seven year maximum repayment period. All non-national cars on the market are currently selling above RM 50,000.
- The national cars (Proton and Perodua) are granted a 50 percent reduction in excise taxes (not available to foreign manufacturers). Protons typically sell for half the price of import equivalents.
- National cars (Proton and Perodua) are assessed an import duty of 13 percent for CKDs versus 42 percent for other CKDs.

Import Bans and Quotas:

- An approval permit (license) is required for imports of motor vehicles, which limits importers total market volume for completely built-up units (CBUs), effectively acting as an import quota. Currently CBU imports make up less than five percent of the market.
- Malaysia maintains an import ban on motor vehicles (and all other products) from Israel.

Trade Related Investment Measures (TRIMs)

- The United States has serious concerns about local content requirements imposed by

Malaysia on the production of motor vehicles. Under the World Trade Organization=s TRIMs Agreement, Malaysia was required to remove these measures by January 1, 2000 unless additional time was granted by the WTO. On December 29, 1999, Malaysia made a formal request for an additional two years to bring these measures into compliance with its obligations under the Agreement. The United States has noted its willingness to agree to an extension, but is concerned by conflicting statements made by the Government of Malaysia with regard to its intentions. For this reason, the United States will continue to monitor Malaysia's compliance with its WTO obligations in the motor vehicle sector.

- The U.S. government is working with a number of WTO members which have requested extensions under the TRIMs Agreement, on a bilateral and multilateral basis, to find an equitable solution to these requests.

Local Content Requirements:

- Malaysia maintains a local content requirement based on a point system (different parts are assigned a point value by the GOM), as well as a mandatory parts list, including 30 mandatory items - ranging from mud flaps to shock absorbers to exhaust systems. The National Car makers are not required to meet the mandatory parts list.

Classification	Percent Local Content
Category I Passenger vehicles up to 1,850 cc	60% - including mandatory parts list
Category II Passenger vehicles 1,851 - 2,850 cc Commercial Vehicles up to 2,500 GVW	45% - including mandatory parts list
Category III Passenger vehicles above 2,850 cc Commercial Vehicles above 2,500 GVW	Localization of Mandatory Parts List Items Only

Investment Requirements:

- Foreign investors may retain up to 100 percent equity if the firm either exports 50 percent of its output or employs 350 Malaysians full-time.
- Malaysian companies must be 30 percent Bumiputra (native Malay) owned.

PHILIPPINES- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	76,745.	37,880	27,000
Commercial use Vehicles	61,946	48,871	46,085

Source: Auto Strategies International Inc.

Philippines:

Tariffs:

MFN Rates

CBU

	2001	2002	2003	2004
Passenger Cars (8703)	30	30	30	5
Commercial Vehicles				
Motor vehicle for the transport of 10 or more persons (8702)	15/20	15/20	15/20	5
Motor vehicle for the transport of goods (8704)	20/30	20/30	20/30	5
Motorcycles (8711.9010)	30	30	30	5

CKD (Tariff Line for the Participants of the Motor Vehicle Development. Program)

	2001	2002	2003	2004
Passenger Cars (8703.9010)	10	10	10	5
Commercial Vehicles*				
Motor vehicle for the transport of 10 or more persons (8702.9010)	3	3	3	3
Motor vehicle for the transport of goods (8704.9010)	3	3	3	3
Motorcycles (8711.9010)	3	3	3	3

(* as amended by E.O. 11 issued on 17 April 2001)

CEPT Rates (for qualifying products from AFTA partners)

CBU

	2001	2002	2003	2004
Passenger Cars (8703)	20	20	5	5
Commercial Vehicles				
Motor vehicle for the transport of 10	15/20	15/20	5	5

or more persons (8702)				
Motor vehicle for the transport of goods (8704)	20	20	5	5
Motorcycles (8711.9010)	20	20	5	5

CKD

	2001	2002	2003	2004
Passenger Cars (8703.9010)	7	7	3	3
Commercial Vehicles				
Motor vehicle for the transport of 10 or more persons (8702.9010)	3	3	3	3
Motor vehicle for the transport of goods (8704.9010)	3	3	3	3
Motorcycles (8711.9010)	3	3	3	3

Taxes:

_ All cars and commercial vehicles designed to carry passengers, with seating capacity under 10 people are subject to excise taxes based on engine displacement size.

_ The excise tax schedule is currently:

Gasoline engines:

Below 1600 cc	15 percent
1600 to 2000 cc	35 percent
2001 to 2700 cc	50 percent
2701 and greater	100 percent

Diesel engines:

Below 1800 cc	15 percent
1800 to 2300 cc	35 percent
2301 to 3000 cc	50 percent
3001 and greater	100 percent

_ The basing of the excise tax on engine displacement creates market distortions in the types of vehicle and engines offered in the Philippines. U.S. vehicle manufacturers, whose engine architecture generally favors larger displacements are effectively discriminated against based on the punitive level of excise taxes applied over 2000cc. The higher tax rates, meant to penalize “gas guzzlers”, are no longer consistent with advances in fuel economy. In city driving, for example, U.S. Department of Transportation fuel economy data shows an average difference of 20 percent between a 1600 cc and a 3000 cc engine, compared to the tax differential of over 600 percent.

_ A 10 percent VAT tax is assessed on all vehicles and automotive components sold in the domestic market.

_ Commercial vehicles, except for 4 x 4 vans and Sport Utility Vehicles (SUVs), are not subject to the excise tax.

Other Measures:

_ Importation of the following automotive parts is regulated by the Bureau of Import Services (an agency under the Department of Trade and Industry), which requires clearances/permits prior to importation:

Dashboards	s	rackets	uards
			Boards
rs	ge compartments	or cowlings	mats (other than of textile material/rubber)
ggage racks	ng boards	s/trunk lids	

_ The importation of bodies (including cabs and body shell) and chassis fitted with engines for vehicles weighing below 6 tons is not allowed.

Motor Vehicle Development Program:

_ The Philippine Car Development Program (CDP) introduced in 1987 was developed to increase the exports of automotive parts to enable the Philippine economy to support a viable local components industry. In addition there is a similar Commercial Vehicle Development Program, and a Motorcycle Development Program. These programs mandate certain levels of local content usage for manufacturers (based on vehicle type) and require foreign exchange balancing. In return manufactures are granted tariff reduction benefits.

_ The local content usage and foreign exchange balancing requirements are contrary to the terms of the World Trade Organization Agreement on Trade Related Investment Measures. However, the Philippines has been granted an extension to maintain these requirements until July 1, 2003. The local content requirement will gradually be phased out before that time.

The program as it currently exists has the following parameters:

ITEMS	CAR DEVELOPMENT PROGRAM	COMMERCIAL DEVT. PROGRAM	MOTORCYCLE DEVT. PROGRAM
OBJECTIVES	Development of the parts manufacturing industry Technology transfer & devt. Employment Gen. Foreign exchange savings & earnings	Devt of the parts manufacturing industry Technology transfer & devt. Employment Gen. Foreign exchange savings & earnings	Devt of the parts manufacturing industry Technology transfer & devt. Employment Gen. Foreign exchange savings & earnings
COVERAGE	Category I With engine displacement of 1200cc and below with a reasonable price ceiling as determined by the BOI Board A large engine displacement maybe allowed provided its selling price shall be in accordance with the price ceiling Category II Above 1200cc but below 2190cc and above Category III 2190cc and above Note: Equivalent diesel engine displacement will be allowed	Category I All AUVs up to 3000 kgs GVW Category II All LCVs up to 3000 kgs GVW Category III All vehicles from 3001 kgs, to 6000 kgs. GVW Category IV All vehicles from 6001 to 18000 kgs. GVW IV-A: 6,001 – 9,000 IV-B: 9,001 – 12,000 IV-C: 12,001–15,000 IV-D: 15,001-18,000 Category V Trucks above 18,000 kgs. GVWs and SPVs	Category A Two-wheeler motorcycles Category B Three-wheeler motorcycles
LOCAL CONTENT	Category I and II 40% minimum 50% forex award if LC weighted ave. is 50% Category III – None	Category I and II 45% minimum 50% forex award if LC weighted average is 55% Category III – 21.90% Category IV-A: 21.44% IV-B: 22.24% IV-C: 13.53% IV-D: 13.77% Category V – 13.77%	Category A 45% minimum 50% forex award if LC weighted ave. is 55% Category B 35% minimum

FOREIGN EXCHANGE REQT. (%)	2001 Rate Category I – 15% Category II – 55% Category III – 75%	2001 Rate Category I & II: 15% Category III, IV & V: 5%	2001 Rate Categories A & B- 15%
INVESTMENT RET. FOR NEW PARTICIPANTS	US$10 million worth of investment in parts and components manufacturing facility, except land	US$8 million worth of investment in parts and component manufacturing facility, except land	US$ 2 million worth of investment in parts and component facility, except land

SINGAPORE- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	27,183	26,270	38,482
Commercial use Vehicles	12,006	8,974	11,756

Source: Auto Strategies International Inc.

Tariffs:
Singapore does not apply any tariffs to vehicles or components.

Taxes:
The excise tax on all vehicles is 31 percent.
Registration fee: $140 Sing dollars

_ Additional Registration fee: 140 percent of vehicle's market value
_ Singapore levies a road tax on vehicles, which is based on engine displacement. There are five categories for this tax: less than or equal to 600cc, 601cc - 1000cc, 1001cc - 1600cc, 1601cc - 3000cc and above 3000cc. Tax is determined by a graduated formula, with larger engine sizes charged a higher tax rate (for additional details, see the Singapore Land Transport Authority's web page at www.onemotoring.com.sg)
_ Singapore employs a system to refund a portion of the additional registration fee upon the trade in of a used car for a new vehicle. However, the amount of the refund is graduated, significanlty discouraging the trade in of used cars over five years in age.

Other Measures:

Domestic Quotas:

_ The government of Singapore established the Vehicle Quota System in 1990 to restrict the growth of the vehicle population. Under the system, the Land Transport Authority, part of the Ministry of Communications, pre-determines the number of cars that it will register for the year. This number is based on the number from the previous year plus 3%, added to the number of cars that are expected to be scrapped. For example, during the first six months of 2000, slightly over 26,000 cars were registered.

_ Under the Vehicle Quota System, each person who wants to purchase a car must also purchase a Certificate of Entitlement (COE). Each citizen can either submit the bid for him/herself or ask a car dealer to submit the bid. Certificates are awarded each month to the highest bidders. Currently, certificates are selling for roughly $20,600 Singapore dollars. More information on this process can be found at www.lta.gov.sg. The price has been known to go as high as $60,000, clearly indicating that demand outstrips supply.

Miscellaneous:

_ Left hand drive vehicles may not be registered in Singapore.
_ The combination of COE premiums, duties, fees and taxes add significant costs to vehicles, resulting in a C.I.F. price of $10,000 growing to over $70,000 at retail.
_ 90 percent of passenger cars use manual gear shifts.
_ Singapore requires vehicles to have dual independent brake systems.

THAILAND- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	202,990	46,300	55,000
Commercial use Vehicles	347,808	106,304	136,069

Source: Auto Strategies International Inc.

Thailand:

Tariffs:
Motor Vehicles:
As a result of the economic crisis, on October 14, 1997, the government temporarily raised the tariff on imported cars and sport utility vehicles. These "temporary" increases are still in place. In addition, Thailand increased CKD duties in January of 2000 when it removed its local content

requirements.
_ Passenger cars are assessed an 80 percent import duty.
_ Pick-ups are assessed a 60 percent import duty.
_ Heavy duty trucks and buses are assessed a 40 percent import duty.
_ Previously, Thailand Customs did not use CIF value for imported vehicles, to prevent loss of revenue through under-invoicing. Instead, it established a "check price" for various imports, which is established as the value of the first imported model. Although Thailand has modified its Customs procedures to comply with WTO obligations, it is unclear if all problems with Customs valuation have been resolved.

Automotive Parts and Components:
_ CKD kits (passenger cars, pickups and sport utility vehicles) are assessed a 33 percent import duty.
_ Vehicle components which are not brought in as CKD material (i.e. service parts/missing/damaged parts) are subject to 5 - 42 percent duties
_ The maximum tariff on raw materials is 23.5 percent, with the overall average of less than 20 percent.

Taxes:
Thailand applies a cascading tax system, which dramatically increases the price of vehicles. For imported passenger cars with engines over 3,000 cc in size, the final price can be as high as four times the original price. As the tariff rate is included in the base price for tax calculations, imported vehicles are taxed at a higher rate than domestically produced vehicles.

The following taxes apply to all vehicles sold in the market (both imported and domestic):

HS	Description	Custom Duty	Excise Tax	Municipal Tax	VAT
		CBU			
8703	1) Passenger Car				
	* 2400 cc and lower	80	35	10	7
	* 2400 cc to 3,000 cc	80	41	10	7
	* 3,000 cc (220 Horse Power) or more	80	48	10	7

8703	2) Off-road Passenger Vehicle (OPV)	80	29	10	7
8704	3) Pick-up Passenger Vehicle (PPV)	60	3	10	7
8706	4) Chassis without Body and Passenger Car without Body	30	-	-	7
8704 8706	5) Chassis with Body and Passenger Car with Body	40	-	-	7
8711	6) Motorcycle	60	3+	10	7

The excise tax is computed under the following formula:

$$\frac{\text{Vehicle Price (including tariff) x Excise Tax Rate}}{1 - (1.1 \text{ x Excise Tax Rate})}$$

_ The municipal tax is 10% of the amount of the excise tax.
_ The VAT is 7% or 10% (depending on engine size) times the price including tariff, excise tax and municipal tax.

Other Measures:

Local Content Requirements:
_ Thailand removed all local content requirements on December 31, 1999 to comply with the WTO TRIMs Agreement.

Import Bans:
_ Ban on used vehicles
_ Ban on buses with 30 seats and over.

VIETNAM- New Motor Vehicle Sales (in units)

	1997	1998	1999

Personal use Vehicles	6,349	3,150	3,245
Commercial use Vehicles	8,773	6,510	7,271

Source: Auto Strategies International Inc.

<u>Vietnam</u>: In February 1994, the U.S. lifted its trade embargo against Vietnam, and in July 1995, the U.S. restored full diplomatic relations.

Tariffs:
Motor Vehicles:

_ Passenger cars: we have conflicting information on whether the import duty is 100 or 200 percent.
_ Minivans are assessed an import duty of 150 percent.
_ Commercial vehicles are assessed an import duty of between 120-160 percent.
_ The government routinely allows foreign companies to import vehicles duty-free for corporate use.

Automotive Parts and Components:

_ CKDs are assessed a 20-50 percent import duty, but the government may impose an annual quota for kit imports (1996 quota was 3,500 for CBUs and CKDs). We have conflicting information on whether the lower end of the range is 7 or 20 percent.

Taxes:

_ The following tax rates apply:

- automobiles with less than 5 seats:	100 percent
- automobiles with 6 to 15 seats:	60 percent
- automobiles with 16 to 24 seats:	30 percent

_ Beginning in January 1999, all domestically produced vehicles will be subject to a special consumption tax. This tax will range from 30 to 100 percent. Reductions in the tax will be offered if manufacturers face losses after 5 years.

Other Measures:
Local Content Requirements:

_ In late 1994, the Vietnamese government introduced a rule requiring any foreign applicant to commit to making 60 percent of vehicle parts locally, in an apparent effort to expand its indigenous automotive components production, which is currently rather limited (i.e., batteries and floor mats).
_ Five percent of the value of CKDs must be localized after 5 years, and 30 percent by the tenth year. Although the supplier base in Vietnam is limited, it is expected that the

government will force assemblers to conform to local content requirements.

Prohibitions:

_ Beginning in 1998, Vietnam has a prohibition on the importation of used passenger vehicles.

Oceania

AUSTRALIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	614,305	672,758	578,045
Commercial use Vehicles	196,927	219,384	208,611

Source: Auto Strategies International Inc.

Australia:

Tariffs:

Motor Vehicles:

_ Passenger vehicles from all developed countries except Canada are assessed a import duty of 22.5 percent, while passenger vehicles assembled in Canada are assessed a import duty of 17.5 percent.

_ Passenger vehicles imported from developing countries are assessed an import duty of 20 percent.

_ Four-wheel drive (4WD) off-road vehicles are assessed an import duty of 10 percent, while commercial trucks are assessed an import duty of 5 percent.

_ Passenger vehicle import duty rates are being voluntarily reduced by 2.5 percentage points annually until a level of 15 percent is reached in 2000. Duty rates are scheduled to remain at 15 percent from 2001 to 2004. In 2005 the rate will be reduced to 10 percent.

_ A government proposal to continue to reduce passenger vehicle and parts import duties to 5 percent by 2005 is being debated. Local assemblers and unions object, unless further reductions are tied to Asia Pacific Economic Cooperation (APEC) negotiations.

_ For used vehicles, a deduction for depreciation of up to 76 percent is allowed for the period between the importers purchase and use of a vehicle abroad and its export to Australia.

_ Import duty is collected on the vehicle's custom's value as determined by Australian customs.

Automotive Parts and Components:

_ The import duty for major passenger vehicle original equipment components (such as gearboxes, engines, etc.) is equal to that of completely built up (CBUs) vehicles. Other original equipment OE parts are assessed a lower rate.

_ Light commercial vehicle components are assessed an import duty of 5 percent.

Taxes:

Import Tax:

_ Used or second hand vehicle imports must pay a flat fee of $12,000 Australian, in addition to duties. Used vehicles imported for personal use, or models that do not compete with locally-assembled vehicles and for which fewer than 25 units are to be imported annually, are exempt.

Federal Sales Tax:

_ The Federal Sales tax is levied on the wholesale value of a vehicle.

_ 20 percent is added to the sum of the customs value plus duty to determine the basis upon which the national sales tax is subsequently charged. Thus, the effective sales tax on imports is higher than the normal rate charged to domestic vehicles.

_ Passenger vehicles (HTS 8703) up to $24,644 Australian, are assessed a 33 percent federal sales tax. The amount above the first $24,644 Australian is taxed at a 67.5 percent tax rate.

_ 4WD off-road vehicles valued up to $29,362 Australian are assessed a 22.7 percent tax rate. The amount above the first $29,362 Australian is taxed at a 51.7 percent tax rate.

_ Motor vehicles for the transport of goods are assessed a 27.7 percent tax rate.

Other Measures:

Investment Incentives:

_ Local assemblers may import duty free, components or completed vehicles equivalent to 15 percent of the wholesale value of their local vehicle production.

Export Incentives:

_ The Export Facilitation Scheme (EFS) provides financial credits for vehicle exports based on the local value added (broadly defined including areas such as: automotive design, development and production services, etc.) to those products. Credits may be used by the producer to offset duties paid on certain imported automotive products (including completed vehicles), whether or not those imports were used in the production of the exported vehicle.

Vehicle Safety and Emissions Requirements:

_ All vehicles less than 15 years old must comply with Australian Design Rules (ADR) regarding safety, emissions and anti-theft measures. If import volume exceeds 25 units per year, destructive testing (e.g., crash test) may be required.

_ The low volume certification scheme for commercial importers, and the personally imported vehicle scheme for vehicles used abroad for not less than 3 consecutive months by individual Australian citizens and permanent foreign residents, provide for simplified compliance procedures and certain exemptions from the ADR.

_ Included in the ADR is a requirement that all left-hand vehicles, regardless of the scheme under which imported, be converted to right-hand drive prior to licensing for road use.

NEW ZEALAND- New Motor Vehicle Registrations (in units)

	1997	1998	1999
Passenger Cars	59,326	54,157	58,195
Commercial Vehicles	26,675	11,930	14,046

Source: Auto Strategies International Inc.

New Zealand:

Tariffs:
Motor Vehicles:

_ The import duty for motor vehicles is 25 percent.
_ Reductions in the tariff rate are scheduled to begin July 1, 1997, concluding with a rate of 15 percent on July 1, 2000.

Automotive Parts and Components:

_ CKD kits may enter duty free, subject to incorporation of certain locally-made components.

Taxes:

_ A 12.5 percent goods and services tax (GST), is levied upon all sales transactions in New Zealand, including automobiles. The tax is based on the value of the vehicle, inclusive of the import duty. The GST on imports is collected by the New Zealand Customs Department.

Other Measures:
Right Hand Drive:

_ Left hand drive vehicles are not permitted entry into New Zealand for the purpose of resale, but may be sold if converted to right-hand drive.

Safety Standards and Certification Procedures:

_ Vehicle safety standards are based on a combination of EU, U.S. Federal Motor Vehicle Safety Standards, and Australian Design Rules.

AFRICA

ALGERIA - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	6,903	13,200	33,283
Commercial use Vehicles	6,417	5,762	18,378

Source: Auto Strategies International Inc.

<u>Algeria</u>:

The Algerian Government imports very limited numbers of vehicles for its own use. Private imports made by Algerians paying hard currency were stopped in 1990, when auto makers were allowed to set up dealerships in Algeria. Only war veterans and Algerian migrant workers returning to Algeria can import vehicles.

BURKINO FASO - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	347	3,919	1,060
Commercial use Vehicles	423	357	533

Source: Auto Strategies International Inc.

<u>Burkina Faso</u>:

There are no local content regulations or import restrictions. Burkina Faso imposes a 76 percent tax on imported motor vehicles based on value.

EGYPT - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	69,323	87,000	76,580
Commercial use Vehicles	41,514	42,469	40,754

Source: Auto Strategies International Inc.

Egypt:

_ Import duties on passenger cars range from 30-160 percent, divided as follows.
cars with engines <= 1.0 liter displacement pay a 40 percent tariff
cars with engines between 1.0-1.3 liters displacement pay a 55 percent tariff
cars with an engine between 1.3-1.6 liters displacement pay a 100 percent tariff
cars with an engine between 1.6 - 2.0 liters displacement pay a 135 percent tariff
cars with an engine >= 2.0 liters pay a 135 percent tariff

_ In addition, a sales tax is also levied on motor vehicles by engine size as follows:
motor vehicles with engines up to 1.6 liters pay 10 percent
between 1.6 - 2.0 liters pay 20 percent
engines larger than 2.0 liters pay 45 percent.

Gabon:

There are no local content regulations or import restrictions. The import tariff on new and used motor vehicles is 41 percent C.I.F. value.

GHANA - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	1,620	3,700	1,073
Commercial use Vehicles	2,361	2,514	2,343

Source: Auto Strategies International Inc.

Ghana:

Ghana has no local content or export performance requirements. Ghana imposes several taxes on imported vehicles.

_ In June of 1998, the government of Ghana banned the importation of vehicles more than 10 years old.
_ The purchase tax on passenger vehicles varies according to the engine size as follows:
    _ Automobiles with engines under 1900 ccs are charged a 10 percent import duty and no sales tax.
    _ Automobiles between 1900 - 2500 cc are charged a 10 percent import duty and a 15

percent sales tax.
- Automobiles with engines exceeding 2500 cc's are charged a 10 percent plus a 15 percent sales tax. In addition they are assessed a 17.5 percent special tax.

IVORY COAST - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	4,206	12,500	3,445
Commercial use Vehicles	3,502	3,412	2,346

Source: Auto Strategies International Inc.

Ivory Coast:

There are no local content regulations or import restrictions on new motor vehicles. Since 1996, the Ivorian Government has taken steps to liberalize the market for used vehicles.

KENYA - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	3,823	5,500	5,340
Commercial use Vehicles	7,890	6,070	5,750

Source: Auto Strategies International Inc.

Kenya:

No local content regulations exist, but components manufactured locally may not be imported. There are no export requirements. An import license accompanied by a 100 percent refundable prior import deposit is required. Importing medium and heavy duty commercial vehicles with a 3-ton or more load capacity is prohibited unless they are completely dismantled and contain no components that may be produced locally. The import duty on assembled passenger cars is 50 percent on the C.I.F. value in addition to a 40 percent sales tax. The duty on components for assembly is 25 percent. Importers have been directed to seek 90 to 180 days credit overseas. Import protection is accorded to local producers of the following automotive components: sealers, adhesives, batteries, tires, tubes, paints, flat glass, canvas, soft trim, upholstery, insulation, radiators, exhaust systems, leaf springs, spare wheel carriers, seat frames, wiring harnesses, and brake linings.

MADAGASCAR - Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	506	500	323
Commercial use Vehicles	1,975	2,114	1,484

Source: Auto Strategies International Inc.

Madagascar:

There are no local content regulations or import restrictions. Import taxes on motor vehicles for 1998 are 40 to 80 percent of CIF value, depending on the type of vehicle. A VAT of 20 percent is charged to each vehicle imported.

MOROCCO - New Motor Vehicle Sales (in units)

	1995	1996	1997
Personal use Vehicles	6,024	8,086	23,321
Commercial use Vehicles	8,916	10,493	27,353

Source: Auto Strategies International Inc.

Morocco:

There are no local content regulations or import restrictions. Import duties are levied on new automobiles as follows. There is a base duty of 45 percent levied on all automobiles. Added to the base duty are a 12.5 percent fiscal tax and a value added tax of 19 percent for vehicles with engines under 1800 cc's and 30 percent over 1800 cc's.

SOUTH AFRICA - New Motor Vehicle Sales (in units)

	1997	1998	1999

Personal use Vehicles	288,207	302,899	239,675
Commercial use Vehicles	127,123	117,132	123,832

Source: Auto Strategies International Inc.

South Africa:

Tariffs:

_ As of January 1998, the tariff on completely built up (CBU) passenger vehicles is 54 percent. The tariff on completely knocked down (CKD) passenger vehicles is 40 percent. CBU tariffs will decrease by 3.5 percent a year and CKD tariffs will decrease by 2.5 percent a year until 2002.

_ The tariff on passenger cars and pickup trucks will decrease to 40 percent by 2002, and the heavy truck tariff will decline from its current 28 percent to 20 percent by 2000.

_ The import duty on components will be reduced from 40 percent to 30 percent by 2002.

Taxes:

_ South Africa also assesses a 5-15 percent surcharge on motor vehicles, a 14 percent value added tax (VAT) rate, and a 40 percent excise tax. Imported used car values reflect their depreciated value, up to a limit of 45 percent.

Non Tariff Measures:
Local Content:

_ South Africa's Phase VI local content program for the automotive manufacturing sector sets a value-based minimum local content level of 55 percent for South African built vehicles. The value of exported parts or vehicles can count for 5 percent of the local content requirement. In addition, the Phase VI local content program allows vehicle manufacturers to import original equipment free from the excise duty. (Previously, the program required all manufacturers to attain 66 percent local content measured by weight.) The Phase VI program induces companies to reach a local content value of 75 percent. The excise tax is rebated at a rate of 50 percent of the local content level. For example, once 75 percent local content is achieved, the 40 percent excise tax is levied on the wholesale selling price of vehicles (of which 37.5 percent can be rebated by vehicle manufacturers and 2.5 percent is non-refundable).

Other:

_ The major hindrance to investment is probably the uncertainty as to whether government auto policy will call for integration of the existing assemblers into a smaller, more efficient industry.

TUNISIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	15,568	3,550	14,218
Commercial use Vehicles	11,203	10,481	16,530

Source: Auto Strategies International Inc.

Tunisia:
Imported vehicles must be less than 3 years old. All taxes and duties must be paid in convertible currency. Customs duties for motor vehicles are 17.5 percent. Also applied are a 0.25 percent para fiscal tax and a 15 percent PFI duty. In addition, there is a value added tax (VAT) on motor vehicles, of 19 percent. The consumption tax progressively increases as the engine size increases. Engines smaller than 900 cc's are assessed an 11-25 percent consumption tax, while engines larger than 2500 cc's are assessed a 207-256 percent tax.

ZIMBABWE - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	4,609	3,009	1,728
Commercial use Vehicles	7,958	5,684	2,373

Source: Auto Strategies International Inc.

Zimbabwe:

There are no local content regulations. The maximum value of an imported vehicle without a general import license has been increased from $1,500 to $4,500. The vehicles must be less than 4 years old. Vehicles can only be resold after 1 year of ownership.

EUROPE

(EU, EFTA, and Central and Eastern Europe)

Overview

The fifteen members of the European Union (EU) are: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. The European Free Trade Association (EFTA) is comprised of four members: Iceland, Liechtenstein, Norway, and Switzerland. (On January 1, 1995, Austria, Finland, and Sweden left the EFTA and joined the EU.) While the members of the EFTA form a free trade area (tariffs eliminated between members, while each member maintains its own tariff for non-members), the members of the EU form a customs union (tariffs eliminated between members and all members share a common external tariff toward non-members). The two groups are linked through the 1972 bilateral trade agreements as well as the 1994 European Economic Area (EEA), which established a free trade zone amongst the 18 participating members (all but Switzerland). Free trade in industrial products (which includes the automotive sector) exists between all EU and EFTA members; thus no tariffs are applied on these fellow members.

EUROPEAN UNION (EU)

Collective Trade Barriers

Tariff Rates

No local content regulations or import/export requirements are maintained by any of the EU member states. Imports from non-EU and non-EFTA countries are subject to common external tariffs (CET).

A 10 percent CET is applied to passenger cars imports. Electric-motored cars are subject to a 12.5 percent CET. The CET for diesel- and gas-engined trucks is either 11 or 22 percent, depending on the vehicle engine capacity. Diesel or semi-diesel trucks with an engine capacity of 2.5 liters and below are subject to an 11 percent CET, while diesel or semi-diesel trucks with an engine capacity exceeding 2.5 liters have a 22 percent CET. Gas-engined trucks not exceeding 2.8 liter engine capacity are subject to an 11 percent CET, while those exceeding 2.8 liters have a 22 percent tariff. Dump trucks are subject to either a 6 or 17 percent duty, depending on engine capacity. Dump trucks with an engine capacity of 2.5 liters and below are subject to a 6 percent CET, while dump trucks with an engine capacity exceeding 2.5 liters have a 17 percent CET. All trucks made specifically for the purpose of transporting highly radioactive materials are subject to a 5.3 percent CET.

EU's Single Internal Market ("EC-92")
and the Type-Approval Directive

The EU's single internal market became official on January 1, 1993. Part of the "EC-92" effort includes the initiative to remove technical barriers to the free movement of products within the EU. The program's greatest impact on the automotive sector has been in the area of standards. The EU Commission has attempted to harmonize automotive technical and environmental standards between the member states. EU legislation also covers noise and particulate emissions, as well as safety. For example, as of January 1, 1993, all motor vehicles in the EU must have a catalytic converter.

In addition, the EU's type-approval directive (EU Council Directive 92/53) eliminates the need for national type-approval requirements by establishing one set of rules for automobiles and their parts throughout the EU. This directive aims to clarify the type-approval procedure for motor vehicles, separate technical units (i.e., trailers), and components. It simplifies the documentation, designates the type-approval number on a separate technical unit as certification of conformity, and defines vehicles, separate technical unit(s), and component(s). Certificates of conformity, as specified in Annex IX of EU Directive 92/53, will be required in order for an automobile to enter into service. For component approvals, an approval issued under relevant regulations of the U.N. Economic Commission for Europe (UNECE) is recognized as equivalent to an approval granted under comparable EU legislation.

In March 1992, the EU Council formally adopted the few remaining pieces of component-related legislation necessary to make whole-vehicle type approval a reality for passenger cars. In June 1992, EU member state officials approved the adoption of EU legislation creating a single system for certifying that passenger cars meet safety and other technical requirements. The legislation established an EU type-approval system to replace the twelve member state national schemes.

In 1996, the EU type-approval system became mandatory. Vehicles with EU type-approval can be marketed anywhere in the Community. Therefore, a vehicle need only receive type-approval certification in one EU country to be accepted in all other member countries. To receive type-approval, products may either be brought to a testing facility or manufacturers may opt to maintain their own approved, on-site equipment. Nevertheless, U.S.-and EU-origin automobiles must still be certified to this single set of rules by an authorized member state agency. A similar system was adopted for type-approval of two and three wheeled vehicles, and became effective on January 1, 1994. Should you need further information or would like to obtain these addresses, please contact the Department of Commerce: European Union Affairs Office at (202) 482-5279.

Value-added taxes (VAT)

As part of the establishment of the single internal market, the EU member states have also begun to harmonize their VAT rates into a narrow band of approximately 15 percent. Until that time, VAT rates are country-specific, and in some cases, sector-specific; the rates fluctuate between standard, reduced and luxury VAT rates. However, standard VAT rates are generally applied to vehicles throughout the EU. EU VAT rates currently range from 15 to 25 percent. VAT rates for each EU member are listed below:

VAT Rates

Austria	20%	Italy	20%
Belgium	21%	Luxembourg	15%
Denmark	25%	Netherlands	17.5%
Finland	22%	Portugal	17%
France	20.6%	Spain	16%
Germany	15%	Sweden	25%
Greece	18%	United Kingdom	17.5%
Ireland	21%		

EU-Japan Voluntary Restraint Agreement (VRA)

In July 1991, the Japanese Ministry of International Trade and Industry (MITI) and the EU Commission signed a bilateral voluntary restraint agreement (VRA) on motor vehicles. While there are no longer any country-specific quantitative restrictions on direct imports from Japan, Japan and the EU have agreed to monitor Japan's penetration of the European motor vehicle market between January 1993 (when import quotas in France, Italy, Spain, Portugal and the United Kingdom formally ended) and December 1999. A monitoring system oversees the transition period and adjusts the upper-limit on Japanese sales according to fluctuations in the market. In January 1995, three countries joined the EU: Austria, Finland and Sweden. Accordingly, the amount of the quota now reflects 15 rather than 12 countries. For example, as a result of the most recent meeting between the EU and MITI (in March 1998), Japanese 1998 exports to the EU were limited to 1,167,000 units, based on a 1998 forecast of a rise in demand by 2 percent this year to 14.74 million vehicles. (This is a 53,000 unit increase from the 1997 quota. Nevertheless, Japanese automakers sent only 1,031,000 units to the EU during 1997, but this was up 28 percent from 1996.) Country-specific quotas agreed for 1998 are as follows: France: 111,100 units (up from the 1997 quota of 94,200); Italy: 107,000 units (up from the 1997 quota of 102,200); Spain: 65,300 units (up from the 1997 quota of 56,400); Portugal: 39,000 units (up from the 1997 quota of 34,500); and, the United Kingdom: 186,000 units (down from the 1997 quota of 188,000). The U.S. Government has been given assurances that U.S.-made Japanese cars exported to the EU are not included within the EU-Japan VRA limits, nor are the

Japanese vehicles made in the EU.

EU Country-specific Trade Barriers
Despite the formation of the single internal market, many country-specific requirements and trade barriers remain to include the following:

AUSTRIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	269,918	295,865	314,182
Commercial use Vehicles	51,521	34,560	70,414

Source: Auto Strategies International Inc.

<u>Austria</u>:

Prior to January 1, 1995, Austria's import duty for motor vehicles was 25 percent. Upon accession to the EU, Austria adopted the EU-wide tariff and nontariff barriers mentioned above. The VAT on autos is 20 percent, which is the general VAT applied to goods and services in Austria. Austria also maintains a vehicle registration tax, which is based on price and fuel consumption, as well as an annual vehicle tax, which is based on engine power and cylinder volume. Automobiles for the handicapped and electric vehicles are free from the VAT. Automobiles must be approved for sale in Austria in accordance with EU regulations. This approval can be granted in any EU country. Most vehicles are approved for EU sale in the EU country of entry, where the vehicle is then tested.

BELGIUM & LUXEMBOURG - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	376,140	488,057	530,071
Commercial use Vehicles	88,387	67,019	96,643

Source: Auto Strategies International Inc.

<u>Belgium</u>:

In addition to the EU-wide tariff and nontariff barriers mentioned above, Belgium assesses a 21 percent VAT on new and second-hand vehicles (only when taxable vendor i.e. if VAT has not already been paid). The VAT is assessed on the effective invoice price at the time of sale of the vehicle. To compensate for the reduction of Belgium's VAT rate from 33 percent to 21 percent, Belgium now maintains a "tax on the first registration" on new cars, minibuses and motorcycles (not commercial vehicles) which is based on fiscal horsepower/engine size, and assessed on invoice price. (This tax increases steeply for cars with larger engines, and diesel engines pay more.) On second-hand vehicles, the registration tax is generally 25 percent (only when non taxable vendor). Belgium also assesses a road tax, based on engine size, an annual liability premium and has an energy tax which affects the price of gasoline.

Luxembourg:

In addition to the EU-wide tariff and nontariff barriers mentioned above, Luxembourg assesses an annual tax on all vehicles based on engine size. The tax ranges from 150 Luxembourg francs on autos with engines from 1 to 100 cc, to 13,600 francs on autos with engines from 7900 to 8000 cc. The Luxembourg agency responsible for establishing and enforcing safety and road-worthiness requirements for autos, tucks and motorcycles is the Societe National de Controle Technique (SNCT). This agency is responsible for both national and EU type approval. SNCT's registration department allows new vehicles to enter into service if they are covered by an EU whole vehicle type approval and accompanied by a valid certificate of conformity as specified in Annex IX of EU Directive 92/53. Luxembourg applies a VAT rate of 15 percent.

DENMARK - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	153,845	162,406	143,511
Commercial use Vehicles	38,022	35,172	53,739

Source: Auto Strategies International Inc.

Denmark:

In addition to the EU-wide tariff and nontariff barriers mentioned above, Denmark maintains an excise tax on automobiles known as the registration fee. The tax is based on the landed cost plus VAT. For the first 19,750 Danish Kroner (DK), the tax is 120 percent and for the remaining landed value, 180 percent. Therefore, a $16,000 U.S. car would retail at $66,452. The Danish government body responsible for establishing and enforcing national and EU auto, truck and motorcycle requirements, and type approval of same is the Traffic Safety Division within the Danish Ministry of Justice in Copenhagen. Denmark applies a VAT rate of 25 percent, based on the dutiable value at the time of a vehicle's acquisition in a new condition. Taxes on a used vehicle is are based on the street value of a similar vehicle in Denmark.

FINLAND - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	98,090	125,751	136,322
Commercial use Vehicles	19,258	19,509	27,675

Source: Auto Strategies International Inc.

Finland:
Prior to January 1, 1995, Finland's import duty for motor vehicles was 5.3 percent of the C.I.F. value. Upon accession to the EU, Finland adopted the EU-wide tariff and nontariff barriers mentioned above. Finland also assesses a 102 percent car tax and a 22 percent VAT rate. An additional 35 percent tax is levied on vans and station wagons. Only passenger cars with catalytic converters are allowed to be imported into Finland.

FRANCE - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	1,713,030	1,943,553	2,148,423
Commercial use Vehicles	355,192	398,583	433,505

Source: Auto Strategies International Inc.

France:

In addition to the EU-wide tariffs and nontariff barriers mentioned above, imports of Japanese automobiles had, prior to January 1993, not risen to over 3 percent of the French market. However, the French government has indicated that it will adhere to the EU-Japan agreement as outlined above. In line with the latest EU-MITI accord on overall monitoring, the quota for shipments to France for 1998 was fixed at 111,100 units. In August 1995, France increased its VAT rate by 2 percent, from 18.6 to 20.6 percent.

GERMANY - New Motor Vehicle Sales (in units)

	1997	1998	1999

Personal use Vehicles	3,262,265	3,735,987	3,802,176
Commercial use Vehicles	530,157	295,882	519,599

Source: Auto Strategies International Inc.

Germany:

In addition to the EU-wide tariff and nontariff barriers mentioned above, Germany maintains a graduated motor vehicle tax based on horsepower/engine size and registration year/age of vehicle. If the car was registered before 1986, the tax rate is 18.80 Deutschemark (DM) per 100 cc of engine size. If the vehicle was registered after 1986, the tax rate is 21.60 DM per 100 cc. Germany also maintains an annual tax on vehicles which is based on age and emissions (DM13.20 to 21.60 per 100cc). In addition, the German government encourages the use of lead-free gas by giving tax incentives to purchasers of cars with these features. Germany also maintains rigid safety standards. There is no specific sales tax on motor vehicles in Germany. Every sale is subject to the general provisions of VAT, with a standard rate of 15 percent.

GREECE - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	156,537	179,220	261,717
Commercial use Vehicles	15,789	17,706	46,272

Source: Auto Strategies International Inc.

Greece:

In addition to the EU-wide tariff and nontariff barriers mentioned above, Greece maintains a registration tax which increases as the engine size increases and ranges from 100 Greek drachmas per cc to 300 Greek drachmas per cc. Greece also applies a high and complex special consumption tax (SCT) to motor vehicles. The SCT effectively raises the retail price of a small car to 250 percent of C.I.F. value and of a large car to 600 percent. Due to the formation of the EU's single internal market, the Government of Greece is being pressured to reduce its high taxes. The Greek agency responsible for both national and EU type approval for all vehicles is the Directorate of Vehicle Technology within the Ministry of Transport and Communications in Athens. Greece applies a VAT rate of 18 percent, based on the retail selling price and/or the C.I.F. value plus customs duties (for non-EU vehicles) plus SCT plus profit margin.

IRELAND - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	136,575	145,715	174,230
Commercial use Vehicles	24,023	31,383	45,216

Source: Auto Strategies International Inc.

<u>Ireland</u>:

In addition to the EU-wide tariffs and nontariff barriers mentioned above, Ireland maintains a vehicle registration tax which increases as engine size increases. In addition, gasoline and insurance are extremely expensive and heavily taxed in Ireland. Ireland applies a VAT rate of 21 percent, calculated on the basic price of the vehicle before the vehicle registration tax.

ITALY - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	2,386,382	2,364,200	2,349,200
Commercial use Vehicles	209,720	180,038	345,720

Source: Auto Strategies International Inc.

<u>Italy</u>:

In addition to the EU-wide tariff and nontariff barriers mentioned above, Italy's VAT rate for all vehicles is 20 percent. The Italian customs duty is 10 percent for motor vehicles (and ranges from 3.4 percent to 5 percent for automotive parts and equipment). This import duty is charged on the C.I.F. value. Italy also maintains a vehicle ownership tax based on engine power. Italy's annual vehicle ownership tax is Lire 5,000 per kilowatt on gasoline and ecodiesel engines, with an additional Lire 12,845 per kilowatt on (older) non-ecodiesel engines. While imports of Japanese automobiles had, prior to January 1993, been limited in the Italian market, the Italian government has adhered to the EU-Japan agreement as outlined above. In line with the latest EU-MITI accord on overall monitoring, the 1998 quota for shipments to Italy was fixed at 107,000 units.

THE NETHERLANDS - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	464,113	543,112	611,776
Commercial use Vehicles	108,942	114,821	149,260

Source: Auto Strategies International Inc.

The Netherlands:

In addition to the EU-wide tariff and nontariff barriers mentioned above, the Netherlands maintains an annual motor vehicle tax which is based on the weight of the car, the type of fuel it uses, and the owner's residence. Additionally, manufacturers or importers of passenger cars have to pay a special consumption tax of 18-27 percent, depending on the price of the vehicle. A sales tax of 45.2 percent is also assessed on the net value, less an adjustment based on fuel type. There is a 10 percent luxury tax calculated on the gross value of a vehicle older than 90 months. The Netherlands applies a VAT rate of 17.5 percent, based on the price of the vehicle exclusive of taxes.

PORTUGAL - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	241,965	248,398	315,491
Commercial use Vehicles	80,104	126,191	134,801

Source: Auto Strategies International Inc.

Portugal:

In addition to the EU-wide tariff and nontariff barriers mentioned above, Portugal maintains a special progressive tax, based on engine size, ranging from 95 to 1700 escudos per cc. Used vehicles benefit from a 15 percent discount. The 17 percent VAT is paid on the net price of the vehicle after all discounts, but inclusive of car tax. Portugal has both a private and government agency which are responsible for establishing and enforcing auto, truck and motorcycle requirements. The private agency is called the Associacao do Comercio Automovel de Portugal and the government agency is called the Direccao de Servicos de Vehiculos. Both are located in Lisbon. While imports of Japanese automobiles had, prior to January 1993, been limited in the Portuguese market, the Portuguese government has adhered to the EU-Japan agreement as outlined above. In line with the latest EU-MITI accord on overall monitoring, the 1998 quota for shipments to Portugal was fixed at 39,000 units.

SPAIN - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	955,917	1,191,587	1,413,812
Commercial use Vehicles	239,803	284,693	400,508

Source: Auto Strategies International Inc.

Spain:

In addition to the EU-wide tariff and nontariff barriers mentioned above, the VAT rate on vehicles in Spain is 16 percent, payable on all vehicle sales, regardless of the country of manufacture. Registration of automobiles is 13 percent of the value of the vehicle. In Spain, the agency responsible for national and EU motor vehicle type approval is the Direccion General de Tecnologia y Seguridad Industrial within the Ministerio de Industria y Energia (Ministry of Industry and Energy) in Madrid. While imports of Japanese automobiles had, prior to January 1993, been limited in the Spanish market, the Spanish government has adhered to the EU-Japan agreement as outlined above. In line with the latest EU-MITI accord on overall monitoring, the 1998 quota for shipments to Spain was fixed at 65,300 units.

SWEDEN - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	251,240	253,430	295,249
Commercial use Vehicles	75,152	31,584	40,124

Source: Auto Strategies International Inc.

Sweden:

In addition to the EU-wide tariff and nontariff barriers mentioned above, Sweden also levies a 25 percent VAT on the duty paid value. Sweden maintains a vehicle sales tax for commercial vehicles, which is levied based on the weight of the vehicle plus driver and an additional sales tax on environmental qualities. There is a Ascrap fee@ assessed for passenger cars and vans. Sweden maintains non-restrictive import licenses, as well as stringent safety and emission standards. Under certain conditions, Swedish producers receive a rebate of all duties paid on imported components incorporated into a vehicle which is to be exported.

UNITED KINGDOM - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	2,155,477	2,247,402	2,197,615
Commercial use Vehicles	363,164	294,510	314,479

Source: Auto Strategies International Inc.

United Kingdom:

In addition to the EU-wide tariff and nontariff barriers mentioned above, there is a 17.5 percent VAT rate on vehicles in the U.K. European type-approvals are enforced in the U.K. by the Vehicle Certification Agency (VCA), a Department in the Ministry of Transport. During the type approval process, the VCA coordinates with motor manufacturers on vehicles currently in production. Appointed test houses carry out the inspections and tests on behalf of the VCA. National type approvals on vehicles already in service are carried out by the vehicle inspectorate, an executive agency of the Department of Transport. They enforce the heavy goods vehicle (HGV) test and the Ministry of Transport test for cars, motorcycles and light vehicles. Tests are carried out by appointed HGV test stations and commercial garages respectively. The UK also maintains an annual tax on vehicles, which is assessed at 145 British pounds. While imports of Japanese automobiles, prior to January 1993, were limited to 11 percent of the market, the British government has since adhered to the EU-Japan agreement as outlined above. In line with the latest EU-MITI accord on overall monitoring, the 1998 quota for shipments to Britain was fixed at 186,000 units.

EUROPEAN FREE TRADE ASSOCIATION

After the enlargement of the EU on January 1, 1995, only four members remained in the EFTA. They are Iceland, Liechtenstein, Norway and Switzerland. No known local content regulations or import/export requirements are maintained by any of the EFTA member states.

NORWAY - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	126,707	117,976	101,278
Commercial use Vehicles	37,971	36,273	35,285

Source: Auto Strategies International Inc.

Norway:

Passenger cars are subject to a 5.3 percent import tariff based upon C.I.F. value. Trucks and buses are subject to flat duty rates ranging from 12 to 28 percent. On January 1, 1996 the Norwegian Government implemented a complicated taxation system for imported automobiles. The system is based on value, weight, maximum engine capacity and stroke volume of the automobile. This tax system places a higher burden on larger vehicles and vehicles with larger engine sizes. Norway assesses a VAT rate on vehicles at 23 percent of the amount comprising customs value, customs duty and import tax. Passenger cars are subject to an additional tax which is based on the weight of the vehicle. The first 1150 kg are taxed at Norwegian Kroner (NOK) 23.35/kg, the next 250 kg are taxed at NOK 46.7/kg, and any remaining weight over 1,400 kg is taxed at NOK 93.4/kg. Effective January 1, 1997, the Norwegian Government introduced a 100 percent taxation fee for all expensive models of automobiles, with expensive being defined as those vehicles with C.I.F. exceeding NOK 175,000 (USD 24,000). The fee covers 100 percent of the value above NOK 175,000. Automobiles using CFC air-conditioning equipment can not be imported.

SWITZERLAND - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	346,841	295,165	314,691
Commercial use Vehicles	63,465	23,667	67,357

Source: Auto Strategies International Inc.

Switzerland:

The Swiss import climate is favorable to passenger and commercial vehicle imports. Effective January 1995, Switzerland introduced the Value-Added-Tax (VAT) to replace its old turnover tax system. The VAT is levied upon all automobile imports, with the standard rate of 6.5 percent of the value of the imported vehicle. This tax is levied at the border or port of entry. Beginning in 1999, however, the VAT will be raised from 6.5 percent to 7.5 percent for most (durable) commodities including passenger and commercial automobiles.

CENTRAL AND EASTERN EUROPE

Central European Free Trade Area (CEFTA)
The motor vehicle-producing countries of the Central European region include: the Czech Republic, Hungary, Poland, Slovakia, and Slovenia. No vehicles are produced in Albania,

Bulgaria, Croatia, Macedonia, and Yugoslavia.

Albania:

There are no local content, export requirements or import restrictions. Until January 1991, private ownership of automobiles was prohibited in Albania. Since the restriction was lifted, used cars have been imported from Yugoslavia, Greece and other West European countries to meet Albanian consumer demand. Financing remains a substantial obstacle to auto sales.

BULGARIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	7,024	11,000	11,800
Commercial use Vehicles	3,748	7,400	4,674

Source: Auto Strategies International Inc.

Bulgaria:

All new and used vehicles imported with a EUR1 certificate are exempt from duties. One exception to this rule, introduced on the basis of the EU Accession Agreement with Republic of Bulgaria, is the import of vehicles from FYROM (Macedonia) which are accompanied by a EUR1 certificate, which are nonetheless subject to a 3 per cent duty.

Calculation of applicable duties and taxes starts with determination of the customs value. Then any duties are assessed, resulting in the landed (customs paid) value.

According to the Excise Tax Act, all new and used passenger vehicles with an engine greater than 120 kW (DIN) (1 kW = 1.36 hp) or 128 kW (SAE) (1 kW = 1.36 hp) are subject to a 40 percent excise tax assessed on the landed value. Further information on Bulgarian excise taxes may http://www.minfin.government.bg/en/Laws/Publik_pdf/ExciseAct_2000.pdf.

All new vehicles imported into Bulgaria, whether or not they have a EUR1 certificate, are then subject to a 20 per cent VAT which is assessed on the value after the duties and any applicable excise taxes are added.

Imported vehicles remain under customs control until all duties and taxes are paid.

All duties and taxes must be paid in Bulgarian levs. The exchange rate (ROE) used is the average official weekly ROE.

DUTIES ON NEW IMPORTED VEHICLES

The customs value of all new vehicles (HS Codes 8702 and 8703) imported into Bulgaria is the invoice value. Customs duties are 0 percent for vehicles with a EUR1 certificate (except 3 percent for vehicles with EUR1 certificates imported from FYROM). For all other gasoline engine vehicles, the duty is 10 percent if the engine displacement is up to 3,000 cc and 12 percent if greater than 3,000 cc, with special rates depending on engine displacement varying from 5 percent to 13 percent for ambulances and from 13 percent to 15 percent for campers. For all diesel engine vehicles the duty is 10 per cent (except 0 percent for vehicles with a EUR1 certificate).

DUTIES ON USED IMPORTED VEHICLES

Customs duties are assessed on used vehicles imported without a EUR1 certificate. The customs value of used imported vehicles is not the invoice value, but a calculated value that depends on the power of the engine measured either in DIN horsepower, SAE horsepower, or kilowatts.
The customs value calculated as above is reduced for vehicles at least one year old as of the date of its import into Bulgaria. The customs value of vehicles more than one year old but less than two years old is reduced 20 percent, vehicles between two and three years old 30 percent, three and four years old 40 percent, and four or more years old 50 percent.
For buses and other vehicles with 10 or more seats (HS Code 8702), if the engine is rated in horsepower (HP) per the DIN (Deutsche Industrie Norme) standard, the dutiable value is calculated by multiplying the HP by the Bulgarian lev (BGN) equivalent of $100. If the engine is rated in HP per the SAE standard, the dutiable value is calculated by multiplying the BGN equivalent of $95. If the engine is rated in Kilowatts (KW), the dutiable value is calculated by multiplying the KW by the BGN equivalent of $136 (DIN) or $129 (SAE). The duty rate is 25 percent for buses and 10 percent for other such vehicles.

For other vehicles (HS code 8703), the DIN HP is multiplied by the BGN equivalent of $60, the SAE HP is multiplied by the BGN equivalent of $57, or the KW is multiplied by $82 (DIN) or $78 (SAE). Except for the 10 percent rate for ambulances, all other used vehicles in this HS Code have a 15 percent customs duty rate.

Further information on Bulgarian tariffs may be found at http://www.minfin.government.bg/en/Laws/CastomTar/index.html.

THE CZECH REPUBLIC & SLOVAKIA - New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	116,887	209,382	202,565
Commercial use Vehicles	15,900	61,850	68,176

Source: Auto Strategies International Inc.

<u>Czech Republic</u>:

There are currently no import or export restrictions on new vehicles. The Czech Republic also does not impose local content requirements on foreign automakers producing in its territory. Imports of used cars must meet minimum technical standards to ensure their compatibility with Czech safety regulations. The tariff rate on new and used automobile imports is currently 17.1 percent. In addition, automobile imports into the Czech Republic face a value-added tax (VAT) of 22 percent. Slovenia's non European tariff is currently 17 percent. That tariff is expected to decrease to 15 in 2002. Slovenia established a VAT in 1999.

HUNGARY- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	139,872	108,000	129,318
Commercial use Vehicles	20,766	30,400	36,772

Source: Auto Strategies International Inc.

<u>Hungary</u>:

There are no known local content or export requirements. Most automobiles require an import license and special permit from the Hungarian Ministry of Economic Affairs. There is still a global quota on consumer goods which includes new and used cars and minivans. In 1998, the Hungarian government granted import licenses for 68,000 new and 63,000 used cars. Hungarian import tariffs on passenger cars range from 13-48 percent: cars with engines up to 1600 cc's are assessed a 28 percent duty; cars with engines over 2000 cc's are assessed a 48 percent duty. Cars fitted with catalytic converters are assessed with a special reduced rate: 13 percent for engines up to 1600 ccs; 23 percent for engines between 1600-2000 ccs; and 43 percent for engines over 2000 ccs. Hungary also assesses a 25 percent VAT on motor vehicles. As of May 1, 1995, the Hungarian government implemented a new consumption tax for passenger cars, based on engine size (10 percent for cars below 1.6 liters, rising to 20 percent for all other models). Native Hungarians are prohibited from importing used passenger vehicles older than 4 years and commercial vehicles older than 8 years. However, specialized older vehicles may still be imported after passing a special technical test.

POLAND- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	477,960	513,000	640,820
Commercial use Vehicles	55,303	65,200	78,100

Source: Auto Strategies International Inc.

Poland:

Tariffs:

_ A 14 percent customs duty is assessed on new and used cars, trucks and buses, based on vehicles from MFN countries and 2 percent from EU countries.

Taxes:

_ A 22 percent value-added tax is calculated on the C.I.F. price plus customs duty and excise tax.

_ In July 1998 the Polish Ministry of Finance announced its plans to introduce a 2 percent excise tax on the import and sale of all cars, not just luxury cars (as currently). If introduced this year, the tax will be effective starting January 1, 1999.

_ Currently, cars exceeding 7500 European Currency Units (ECU) are subject to 10 percent excise tax if they are produced in Poland, and 15 percent if they are imported into Poland. The current system has had a negative impact on the safety of the cars offered on the Polish market because it was the additional equipment offered (ABS, extra air bag, etc.) which made the value of some cars exceed 7,500 ECU, and consequently fall into excise tax brackets. This situation resulted in the importation of poorly equipped cars which were additionally upgraded with some extra equipment after sale in Poland.

_ The new excise tax system would provide for a 2 percent excise tax levied upon each transaction in the sales chain until the car is registered for the first time. The new system will result in significant decrease in the cost of luxury cars, but it will also lead to an increase of prices of medium and low-priced segments of the market.

Other Measures:

- Polish law prohibits the import of two-stroke engines and bans the import of cars older than 10 years and trucks older than 3 years.
- Prompted by further environmental concerns, the Polish Parliament has required that all cars produced or imported into Poland should be fitted with catalytic converters (since July 1995).

Association Agreement with the EU:

- Under the Association Agreement with the European Union, it was also agreed that duty-free quotas for cars manufactured in EU countries and imported to Poland will be established. The duty-free quota is supposed to increase each year.
- Starting in 1992 through 2001, the quotas granted by Poland will allow a total 317,000 new, duty-free vehicles into Poland.
- Duty-free cars are allowed into Poland in lots of up to 400 units. This means that each official importer can apply for each lot separately, after the previous lot is sold.
- Current regulations on imported cars to Poland increase car prices significantly:
    - Cars imported to Poland from EU countries under duty-free quota, of value less than 7000 ECU are almost 30 percent more expensive than in Western Europe.
    - Cars imported to Poland from EU countries under duty-free quota, of value more than 7000 ECU are 55 percent more expensive than in Western Europe.
    - Cars imported to Poland from EU countries without duty-free quota, of value less than 7000 ECU are 68 percent more expensive than in Western Europe.
    - Cars imported to Poland from EU countries without duty-free quota, of value more than 7000 ECU are 94 percent more expensive than in Western Europe.
    - Cars imported to Poland that are no-EU, of value less than 7,000 ECU are almost 75 percent more expensive than in Western Europe.
    - Cars imported to Poland that are no-EU, of value more than 7,000 ECU are 101 percent more expensive than in Western Europe.

Table 1. Preferential Customs Duty Rate for cars imported from EU, EFTA & CEFTA countries and Duty-Free Quotas until the year 2002.

Year	Duty (%)	Quotas (units)
1992	35	30,000
1993	35	31,750
1994		

30
33,500
1995
30
35,250
1996
25
37,000
1997
25
38,750
1998
20
40,500
1999
15
42,250
2000
10
44,000
2001
5
45,750
2002
0
-

Homologation:

- The Polish Road Traffic Law (published in Dziennik Ustaw on February 6, 1992) requires manufacturers and importers of vehicles and vehicle parts to receive the national type-approval (through the homologation system), which is granted by the Minister of Transport and Maritime Economy. The certification agency, appointed by the Ministry, tests the product and determines whether it is consistent with Polish standards and therefore can be sold in Poland.
- The national type-approval system in Poland is closely connected to the EU system because Poland partly adopted the EU directive 70/156/EEC into the national type-approval system.
- The chief agency for testing automobiles is the Motor Transport Institute. Automobiles which have homologation certificates issued by certification agencies outside of Poland are sometimes recognized by Polish authorities if the certificates state that vehicles fulfill the requirements of various standards (active safety, passive safety, environmental protection and others). These autos can receive Polish homologation certificates from the Ministry of

Transport and Maritime Economy after shorter tests which are performed by the Motor Transport Institute. These tests take approximately six weeks to complete. When vehicles do not have such certificates, the certification procedure is longer and requires additional tests which are performed by designated Polish institutes.

_ The two major vehicle certification agencies are:

Instytut Transportu Samochodowego
(Motor Transport Institute)
ul. Jagiellonska 80
03-301 Warsaw
Tel: (48 22) 811-0944, 811-3231
Fax: (48 22) 811-0906
Contacts:
Mr. Wojciech Przybylski, Director, Homologation Dept.
Tel: (48 22) 811-2510
Mr. Jozef Majka, Deputy Director, Homologation Dept.
Tel: (48 22) 811-40-82
Przemyslowy Instytut Motoryzacji
(Industrial Institute of Motorization)
ul. Jagiellonska 55
03-301 Warsaw
Tel: (48/22) 811-3389, 811-4231 ext. 127
Fax: (48/22) 811-0975
Contact: Mr. Jan Leszczynski, Chief Specialist

_ Both Institutes perform homologation tests for vehicles that are imported in quantities in excess of 50 units per model. The homologation tests usually take one to two months to complete. After completion, a final "conformity certificate" is granted, allowing the legal sale of the imported vehicles.

_ Those who individually import U.S. made vehicles are required to meet Polish road regulations in order to register their car. The main differences between U.S. and Polish standards are headlights (they must clearly and separately beam and light) and sidelights (they must be yellow, not red). In addition, exhaust pipes must be directed to the right side of the vehicle.

ROMANIA- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	105,630	115,860	97,144

Commercial use Vehicles	20,805	26,616	21,773

Source: Auto Strategies International Inc.

Romania:

There are no longer any restrictions on the import of autos and auto parts. The Government of Romania announced a new tariff schedule in early 1992; the maximum tariff rate is 30 percent.

COMMONWEALTH OF INDEP. ST.- New Motor Vehicle Sales (in units)

	1997	1998	1999
Personal use Vehicles	1,303,309	1,086,400	1,144,900
Commercial use Vehicles	341,974	217,798	213,476

Source: Auto Strategies International Inc.
*estimate

Russia:

Passenger vehicle import duties and taxes depend upon whether a vehicle is imported by an individual or by a company. Individual persons pay a tariff of 5 ecus (European currency units) or currently about four dollars per cubic centimeter of engine displacement. Companies (dealers, businesses, organizations, enterprises, etc.) importing passenger vehicles are subject to a more complicated and expensive import regime.

The customs duty on all cars was reduced January 1,2001 to 25 percent (from 30) on cars with engine displacements of 1.5 liters or above. Cars below this size are now taxed at 20 percent.

Diesel engine vehicles are taxed according to a similar graduated system. Imported vehicles must also pay a 20 percent VAT tax which is calculated on the sum of the C.I.F. value plus the tariff plus the excise tax, a 5 percent excise tax and a freight cost of 0.15 percent.

Some vehicles may also be subject to a luxury tax of as much as 70 percent. Vehicles purchased through a Russian-based dealership but ordered for a specific individual are assessed duties under the individual, not company, tariff regime.

On February 5, 1998, President Yeltsin signed a decree that will exempt foreign companies from custom duties and some taxes, which are for automobiles and parts. The decree requires companies to invest at least 1.5 billion rubles ($250 million) over five years and to source half of their components domestically by the end of that period. (During the first year 10 percent local sourcing is required, the second year 20 percent, etc., until 50 percent is reached.) Therefore, this decree will only apply to companies that are building vehicles in Russia. It is not clear how many vehicle imports might be affected over the five year period. This decree could potentially be a Trade Related Investment Measure (TRIM) in violation of WTO principles.

Russia also permits the importation of used cars. Used cars, two or more years old, imported by companies are assessed a 40 percent tariff instead of 46 percent tariff, plus excise tax plus VAT. Individuals importing used cars pay the same tariff of about 4 dollars per cc of engine displacement.

Ukraine:

In the Ukraine there are two tariff rates for motor vehicles - Special and General. Special rates apply to goods coming from 30 most favored nations (including the U.S.), as well as from 145 developing countries. Special rates of duty are paid by "legal" entities. Legal entities are those groups identified by the Ukrainian government as having special status (government entities). General rates apply to all goods imported by individuals (private entities) that exceed the value of $1,400 (1994). Commercial vehicles are assessed a special tariff rate of between 10-30 percent and a general tariff rate of between 20-40 percent. Buses are assessed a special tariff rate of 0 percent and general tariff rate of 30 percent. Passenger cars are assessed a special tariff rate of 0 percent and a general tariff rate of 20 percent. In addition, all goods must pay a 20 percent VAT.